2004 *annual report*

A WORLD *of* OPPORTUNITY

Agricore United™

BUSINESS SEGMENT OPERATING HIGHLIGHTS

For the twelve months ended October 31 (unaudited)	2004	2003	2002	Pro forma 2001	Pro forma 2000
Grain Handling Segment					
Industry grain shipments (000s tonnes)	**28,869**	20,584	24,885	32,315	na
Company grain shipments (000s tonnes)	**10,007**	7,411	8,797	12,493	na
Average margin per tonne	**$ 21.34**	$ 20.58	$ 23.72	$ 22.53	na
Terminal handling (000s tonnes)	5,606	3,742	4,930	7,932	na
Crop Production Services Segment					
Sales ($000s)	**$ 735,229**	$ 826,826	$ 676,446	$ 778,561	na
Average margin (%)	**22.0%**	24.7%	22.0%	26.8%	na
Livestock Services Segment					
Feed					
Manufactured feed tonnes sold (000s tonnes)	**885**	816	915	845	694
Average feed margin per tonne	**$ 45.29**	$ 45.93	$ 44.37	$ 46.68	$ 43.09
Livestock and other sales					
Sales and revenue from services	**$ 65,323**	$ 48,028	$ 36,995	$ 36,032	$ 27,662
Gross profit and net revenue from services	**$ 3,824**	$ 2,913	$ 955	$ 5,954	$ 5,064

STATISTICAL SUMMARY

For the twelve months ended October 31 (in thousands, except ratios and per share amounts)	2004	2003	(unaudited) 2002	Pro forma 2001	Pro forma 2000
Operating					
Gross profit and net revenue from services	**$ 428,497**	$ 410,454	$ 411,384	$ 551,458	$ 547,727
EBITDA	**98,585**	100,531	74,725	147,622	125,272
EBIT	**33,374**	27,931	(377)	55,802	38,631
Earnings (loss) before income taxes, discontinued operations and unusual items	**(19,059)**	(24,181)	(27,813)	4,933	(6,620)
Net earnings (loss) for the year	**(13,717)**	(5,546)	(17,516)	(14,687)	2,126
Cash flow provided by operations	**46,937**	48,404	22,070	na	na
Property, plant and equipment expenditures	**32,473**	29,176	30,425	na	na
Financial					
Working capital	**$ 145,224**	$ 176,796	$ (36,998)	$ (29,178)	na
Net investment in capital assets	**664,396**	688,896	728,982	790,734	na
Total assets	**1,449,622**	1,573,501	1,605,189	1,788,721	na
Funded debt (short-term financing and long-term debt)	**493,375**	563,946	686,703	805,990	na
Cash and cash equivalents (included in working capital)	**50,214**	53,919	39,117	34,275	na
Convertible debenture	**105,000**	105,000	—	—	—
Shareholders' equity	**479,391**	499,799	507,346	469,361	na
Ratios					
Current ratio	**1.29**	1.31	0.95	0.97	na
Leverage ratio (net funded debt to capitalization)	**45.4%**	46.0%	54.6%	62.2%	na
Shareholder Information					
Monthly weighted average Limited Voting Common Shares outstanding	**45,278**	45,299	44,172	na	na
Per share:					
Net loss	**$ (0.33)**	$ (0.15)	$ (0.42)	na	na
Net loss from continuing operations	**$ (0.33)**	$ (0.43)	$ (0.44)	na	na
Cash flow provided by operations	**$ 1.01**	$ 1.04	$ 0.47	na	na
Book value[1]	**$ 10.33**	$ 10.77	$ 10.94	na	na
Trading activity (TSX):					
High	**$ 9.99**	$ 8.25	$ 12.05	$ 12.50	$ 12.00
Low	**$ 7.00**	$ 3.60	$ 5.50	$ 8.52	$ 7.80
Year-end	**$ 7.64**	$ 8.18	$ 5.91	$ 12.05	$ 9.35
Volume (thousands of shares)	**14,921**	13,434	12,030	1,690	547

ADDITIONAL INFORMATION

(unaudited)	2004	2003	2002	Pro forma 2001	Pro forma 2000
Employees (full-time equivalents)	**2,788**	2,728	2,997	3,607	na
Number of country elevators	**85**	88	98	154	na
Licenced grain storage capacity (year-end, thousands of tonnes)					
Country elevators	**1,206**	1,214	1,416	2,018	2,300
Terminal elevators – wholly or beneficially owned	**699**	699	591	591	591
Terminal elevators – partially-owned	**492**	492	692	692	692

[1]Book value per share is derived by dividing the shareholders' equity at the end of the period by the total number of Limited Voting Common Shares outstanding at year-end as if the preferred shares had been converted on a 1:1 basis.

INTRODUCTION

Weather challenges Agricore United's financial performance.

The net loss of $13.7 million for the year ended October 31, 2004 ($0.33 basic and diluted loss from continuing operations per share) was $4.5 million better than the net loss from continuing operations of $18.3 million ($0.43 basic and diluted loss from continuing operations per share) in 2003.

Weather challenges from a wet and cool growing season and late harvest contributed to:

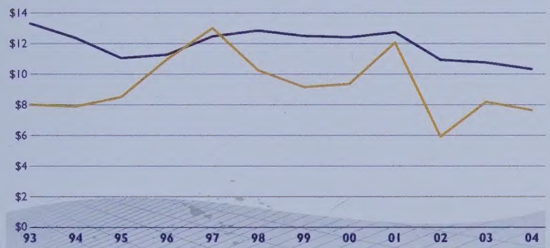
- a 17% reduction in fertilizer tonnes sold;
- a $20 million reduction in crop protection product sales; and
- reduced grain shipments in the fourth quarter from timing of the harvest.

Key operating metrics were maintained or improved despite the weather challenges:

- grain handling volumes increased by 2.6 million tonnes to 10 million tonnes, a market share of 35%;
- percentage of grain shipments handled through the Company's port terminals increased to 56% from 50%;
- grain handling margins for 2004 of $21.34 per tonne improved from $20.87 per tonne last year;
- average fertilizer margin per tonne for 2004 consistent with 2003;
- average margin on seed sales and crop protection product sales improved over the prior year;
- feed tonnes sold increased 8.5% to 885,000 tonnes;
- feed margin per tonne for 2004 consistent with 2003;
- operating, general and administrative expenses for Grain Handling and Crop Production Services increased by only 4.2% despite the increase in grain handling activity; and
- weighted-average leverage improved to 45.4% from 46% and total funded debt decreased to $443 million at October 31, 2004 from $510 million last year.

Outlook for 2005:

- handling an above average crop yield from 2004, but of below average quality;
- moisture levels at the end of October 2004 are 80% to 100% of capacity across most of western Canada;
- soil nutrient levels are significantly reduced at October 2004 and will require recharging in 2005;
- reduced application of crop protection products in 2004 will lead to increased weed growth in 2005;
- increased relaxation of remaining trade barriers to Canadian beef; and
- credit approval for spring 2005 growing season well advanced.



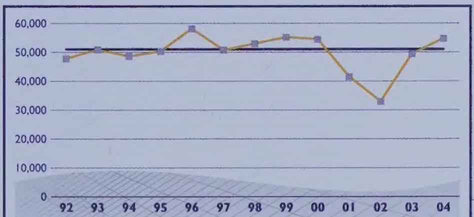
Book Value and Closing Price (per share)
As at October 31

Book Value
Closing Price

Relative Index Levels – Total Returns
As at October 31

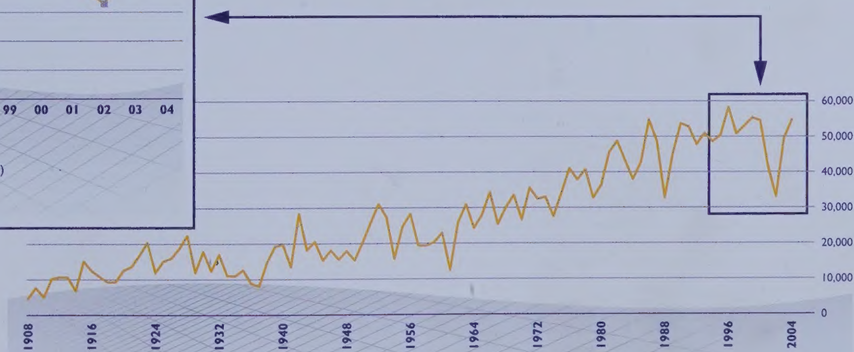
Notes: Agricore United Stock Price includes dividends which are reinvested in the month of the ex-dividend date. The Nesbitt Burns Small Cap Index also incorporates dividend reinvestment.

Nesbitt Burns Small Cap
S&P/TSX Composite
Agricore United Stock Price



Grain Production (1992–2004)
(Wheat, Barley, Oats, Rye, Peas, Canola, Flax)
(000s tonnes)

Production
Average 1992 to 2001



Grain Production (1908–2004)
(Wheat, Barley, Oats, Rye, Peas, Canola, Flax)
(000s tonnes)

Production

"AGRICORE UNITED

is the largest grain handler and retailer of crop inputs in western Canada."

WAYNE DRUL – CHAIR, AGRICORE UNITED

"**THERE IS A WORLD OF OPPORTUNITY** for Canada's agriculture industry. Agricore United's business is based on connectivity... we rely on our ability to build relationships and meet needs globally right from the farm to end users throughout the world."

BRIAN HAYWARD – CHIEF EXECUTIVE OFFICER, AGRICORE UNITED

CONTENTS

Front cover photo:

Agricore United's Merchants and Customer Service Representatives help forge the link between farmer customers and the end-use customers around the world.

Pictured are (clockwise from centre): Bob Beard, Warburtons' Purchasing Director; John Csversko, Producer; Neil Miller, Customer Service Representative, Agricore United; Trevor Letkemen, Senior Merchant, Agricore United; Venetta Csversko, Producer

With customers in over 50 countries, Agricore United is a company with

A WORLD OF OPPORTUNITY.

Western Canada
USA
Mexico
Cuba
Haiti
Dominican Republic
Puerto Rico
El Salvador
Panama
Netherlands Antilles
Venezuela
Trinidad
Guyana
Brazil
Uruguay
Norway
Sweden
Denmark
United Kingdom
Netherlands
Belgium
Czech Republic
Slovakia
Germany
France
Switzerland
Italy
Portugal
Spain
Malta
Greece
Lebanon
Israel
Saudi Arabia
Angola
Agricore United

"Current good moisture conditions and **CONTINUED GROWTH IN KEY MARKETS** like China are two building blocks for our future."

BRIAN HAYWARD – CHIEF EXECUTIVE OFFICER, AGRICORE UNITED

Photo (from left): Wayne Drul, Chair; Brian Hayward, Chief Executive Officer

"FARMING HAS EVOLVED FROM AN OCCUPATION INTO A SOPHISTICATED BUSINESS ENTERPRISE.

Today's commercial farms must have access to a comprehensive set of management tools including financing, risk management, agronomic expertise, new technology and end-use markets. These are all areas where Agricore United has established a leadership position in the industry."

WAYNE DRUL – CHAIR, AGRICORE UNITED

WORLD OF OPPORTUNITY

Agricore United reaches around the globe linking farmer customers and end-use customers together. Every day someone from Agricore United is working on behalf of both sets of customers to ensure quality grains, oilseeds and special crops are being sold and delivered. This daily work reinforces our understanding of the needs of end users which we continually communicate back to growers through Agricore United's network of seasoned market and agronomic experts. Having this perspective means we not only help sell the crop at the end of the growing cycle but also enhances our collective knowledge of market preferences to help Prairie growers compete successfully in a world of opportunity.

A MESSAGE FROM THE CHAIR

Trade is the lifeblood of Canadian agriculture and vital to the long-term success of Agricore United. With a large land base and small population we produce far more than we consume.

Canadian exports of grains and oilseeds alone are equivalent to the production from 28 million acres of cropland or about 20,000 average sized farms.

Figures compiled by the World Trade Organization (WTO) reconfirmed Canada's status as the world's third largest exporter of agricultural products in 2003 at $34 billion. Clearly, we have much to gain from a more liberalized trading environment.

Agricore United views the upcoming round of WTO talks as a window of opportunity for Canadian agriculture. That's why we welcomed the framework agreement reached by member nations in Geneva in August 2004. The framework sets the agenda for the next round, targeting the elimination of export subsidies and improved market access.

It's estimated that subsidies and trade barriers reduce the prices received by Canadian grains and oilseeds farmers by over $54 per tonne. Despite these obstacles we compete successfully in the international market, but the WTO process affords our customers an opportunity to achieve their full potential.

As Canada's leading agri-business, Agricore United has taken a leadership role on the trade issue. We have met with the federal ministers of international trade and agriculture and urged them to keep up the momentum for a new deal. We have also stressed that Canada must be prepared to address the concerns of other countries about our trading practices if we expect them to put their subsidies on the table.

Of course trade agreements are not a panacea and Canada continues to encounter market barriers on the export of wheat, cattle and hogs. We are hopeful that ongoing trade discussions will pave the way for an early resolution of these issues.

A CENTURY OF SERVICE

Agricore United and its heritage companies will mark 100 years of service to the farmers of western Canada in 2006. As we approach this milestone, the pace of change is accelerating and so too are the business needs of our customers. I believe Agricore United is well positioned to meet the challenges and opportunities of the second century of prairie agriculture.

Farming has evolved from an occupation into a sophisticated business enterprise. Today's commercial farms must have access to a comprehensive set of management tools including financing, risk management, agronomic expertise, new technology and end-use markets. These are all areas where Agricore United has established a leadership position in the industry.

A YEAR OF EXTREMES

Much of the Prairie region experienced a cool, wet and late growing season in 2004, with highly variable yields and crop quality.

For example, in southern Alberta and southwestern Saskatchewan, farmers experienced their best crops in years. Over large areas of eastern Saskatchewan and Manitoba, an early frost caused widespread devastation. On my farm in east central Manitoba I experienced both – my best crop of oats and one of my poorest crops of canola.

I believe the 2004 growing season underscores the long-term advantage of Agricore United's strong representation in all geographic regions of western Canada – from the Peace River country of northern Alberta and British Columbia to Manitoba. Local growing conditions can vary widely over such a vast area, and Agricore United is uniquely positioned to both capitalize on opportunities and to minimize risk when the forces of nature come into play in one or several areas. In 2004, the forces of nature impacted nearly the entire region, reducing our ability to minimize this risk.

LEADING THE INDUSTRY

Agricore United has deep roots in the culture of western Canada. Farmers founded the company, they are shareholders and they participate in our corporate governance system. I believe this unique collaborative business relationship with farmers gives us a competitive edge.

But Agricore United is also a young company, created three years ago by the merger of United Grain Growers Limited and Agricore Cooperative Ltd. Our challenge has been to mold the strengths of the heritage companies into a new brand, and in three short years I believe we've succeeded.

While the merger made us the largest grain handler and retailer of crop inputs in western Canada, it's our people and our customers who've established Agricore United as an industry leader. We are proud of our accomplishments to date and look forward to the future with enthusiasm.

Wayne Drul

Wayne W. Drul
Chair

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

THE WEATHER ROLLER-COASTER

The year 2004 in agriculture can only be described as a roller-coaster weather ride. Concerns reported early in the spring about inadequate moisture levels and the potential for a hot dry summer were replaced by the reality of excess moisture and a cool, wet growing season. Despite an extended planting season, early industry estimates in late July were projecting an above average crop. Then, an unusually early frost in August and September 2004 raised concern through the industry of reduced yield and quality. In October, the sun came out – all across the Prairies – temperatures climbed and fields dried. The result was average to above average yields in many parts of western Canada, but below average quality for many farmers.

Agriculture is a complex industry and 2004 proved conditions that are too wet can be just as devastating as too dry. And it's not just a question of moisture – heat is a key ingredient to an abundant and high-quality crop as well. What we experienced in western Canada this past year was one of the coolest summers on record. Not even Agricore United's geographic coverage could insulate the company from the weather factor in 2004 that affected most of Canada.

WORLD OF OPPORTUNITY

However, there is a world of opportunity for Canada's agriculture industry. Agricore United's business is based on connectivity – much the same way world economics are. We rely on our ability to build relationships and meet needs globally right from the farm to end users throughout the world.

Throughout this annual report, you'll discover how we connect globally to bring nutritious, high quality grains, oilseeds and special crops from our western Canada farm customer to our end-use customers worldwide. Our strategy has remained consistent since Agricore United was formed – we are increasing the connection between product development and end-use consumption. We are taking advantage of every opportunity to build closer ties based on our ability to provide safe, traceable commodities that meet the needs and desire of consumers who want new, healthier foods.

Agricore United is a critical link in the food pipeline from production to consumption. We offer producers and corporate consumers the advantage of our knowledge-based products and services. We incorporate sophisticated research and development processes to bring viable commercial seed varieties to the marketplace that will have desirable traits ranging from tolerance of extreme weather conditions, to oil content or protein levels, colour, texture, consistency or time to maturity. We work with farmer customers throughout the crop planning and production process from providing agronomic advice to securing end-use opportunities for the commodities produced.

Our Grain Merchants do business all over the world – Europe, Asia and the Pacific rim, Africa, North and South America – with customers buying grains, oilseeds or other special crops. End-use customers rely on Agricore United and our quality control systems to supply the products that meet their specific requirements on a consistent basis. Agricore United's processes come full circle, because, by being able to identify end-use customer needs Agricore United helps farmers plan. And by staying connected with what producers are growing, the company helps its corporate end-use customers be more efficient in their purchasing.

Agricore United's network of feed mills supply western Canadian livestock producers with feed which meet all of the regulatory and HACCP requirements necessary in a world increasingly focussed on food safety and quality. We back up our feed products with advice from our nutritional experts designed to help livestock producers extract the maximum value from their feed investment. We stand behind that expertise with well-maintained and technologically advanced feed mills, including our newest replacement feed mill opened outside of Edmonton in August of this year.

Through our innovative financing vehicles like Agricore United Financial and Unifeed Financial, we access the resources and skills of a major Canadian chartered bank. We tailor financial services to the unique needs of farm business with flexible, competitive credit to finance their operations through the growing season or, in the case of livestock producers, through the marketing cycle.

Rapid global advancements in information technology and the internet mean our business operations must be supported by state-of-the-art technology and software, which we have developed and supported in-house to meet the unique needs of our business segments. Our ability to communicate relevant information to our frontline staff, farmer customers and end-use customers, accurately and on a timely basis, is critical to our business success.

LEADING THE INDUSTRY

Despite the challenging conditions of the past year, and in fact, the two prior years, Agricore United has maintained its strong market share position. We have maintained short-term liquidity and strengthened the balance sheet. We continue to control costs, deliver positive cash flow from operations, sustain our investment in capital assets, continue a reliable dividend policy and still reduce debt and improve our leverage.

Agricore United is privileged to work with the best farm producers in western Canada. Together, we will create opportunity through innovation by maintaining an entrepreneurial outlook within an increasingly sophisticated agricultural market. Our optimism remains high for 2005 – and beyond. Current good moisture conditions and continued growth in key markets like China are two building blocks for our future. However, a motivated team and strong customer relationships will be the real driving force for Agricore United as we seize this world of opportunity.

Brian Hayward
Chief Executive Officer

KNOWING THE GLOBAL MARKET

The process begins at the end of the delivery chain as demands from end-use markets help determine what will be seeded, and ultimately sold, in coming seasons.

The story of our business begins at the end of the growing season, when Agricore United sells western Canadian grain. The process begins at the end of the delivery chain as demands from end-use markets help determine what will be seeded, and ultimately sold, in coming seasons. It is a continuous cycle and it is the key to understanding how Agricore United competes successfully around the globe.

From wheat, barley and oats to oilseeds, forages and a full line-up of specialty crops, more than half of Canadian grain heads to export markets each year. Agricore United Grain Merchants (Merchants) sell product to major crushing, milling and brewing customers such as Archer Daniels Midland, Bunge, Warburtons and Anheuser-Busch among others. Merchants play an important role in matching sell contracts with purchase contracts and trading in global futures markets to manage price and foreign currency risk. International destinations include the United States, the European Union, the booming Asian market, South America, the Middle East and beyond. The logistics management team coordinates the complex movement from the farm gate to the elevator to port terminal and end user by truck, rail or ocean vessel.

For our Livestock Services division, the product commonly stays within Canada. Hog or cattle producers often grow barley and hay for their own herds. Unifeed Limited, which operates Agricore United's feed mill network, buys large quantities of feed grains either directly off farm, or through Agricore United's grain trading operations. The grain is then combined and processed with protein rich ingredients, minerals, vitamins and fats or oils to produce a wide range of livestock feeds. The high-quality feed produced by Unifeed in turn helps our farmer customers produce the premium meat products that are marketed around the world.

Whether at home or abroad, Agricore United's end-use customers often have specific requirements for their grain. It might be a particular output trait (e.g. gluten or protein levels in wheat or linoleic acid in canola oil), grade (e.g. premium-quality malt barley) or handling process (e.g. Identity Preserved assurance) they demand. Whatever the expectations, Agricore United's Merchants and Customer Service Representatives (CSR) work closely with farmer customers to ensure they can be met.

Knowing what crops end-use customers want has become the critical first step in crop planning. At Agricore United, our Merchants, CSRs and their farmer customers are acutely aware of the power of consumer demand and work closely together to consider the available markets for crops as they plan for coming seasons.

- **15** – average number of countries called in a typical day by Agricore United Merchants, including the US, Japan, China, Mexico, Belgium, Netherlands, Germany, France, Spain, UK, Pakistan, Korea and more

- **ENGLISH, FRENCH, SPANISH, JAPANESE and MANDARIN** – merchandising staff fluent in each of these languages are employed by Agricore United

BUILDING THE GRAIN MARKETING PLAN

By combining the agronomic and marketing expertise of our CSRs and Merchants with the knowledge the grower has of his operation, the net result is a comprehensive strategy that will allow growers to capture opportunities when they arise.

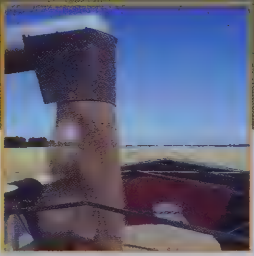
In planning for a new season, Agricore United CSRs help their farmer customers by first looking at how to optimize the farmer's profit potential when he chooses to market his crop. Building a grain marketing plan that achieves that goal is a multi-step process. It takes into consideration estimated production, storage and movement costs and working with Agricore United Merchants to calculate projected returns based on identification of break-even and target prices. It is an ongoing, year-round exercise because successful grain marketing means keeping an eye on ever-changing market opportunities.

At Agricore United we use three guiding principles when helping farmer customers build a marketing strategy. First, CSRs and growers make a long-term crop rotation plan. Predicting grain prices can be inexact, but working with the Merchants to outline a plan that identifies reasonable expectations for achievable profit targets is a good starting point. Second is understanding that there is a large window of opportunity in which to move grain to achieve the greatest possible return. Agricore United's merchandising team works closely with country staff to ensure that up-to-the-minute information on market opportunities is readily available to customers, as it is not unusual for prospective grain contracts to open and close within a matter of hours.

That said, a disciplined approach to marketing grain – our third guiding principle – avoids the unnecessary risks that come with speculating when prices might rise and fall. This involves looking at all contracting options and planning to move grain at different points throughout the year to help meet long-term profit forecasts, rather than all at once following harvest. Agricore United Financial helps bridge the process by providing the farmer with flexibility to sell his crop when the time is right. The options are numerous, and as opportunities for Identity Preserved contracts continue to increase, growers have yet another avenue for maximizing profit.

The relationship between Agricore United's Merchants, CSRs and the farmer customer is a key success factor throughout the entire process. By combining the agronomic and marketing expertise of our CSRs and Merchants with the knowledge the grower has of his operation, the net result is a comprehensive strategy that will allow growers to capture opportunities when they arise.

- **MORE THAN 50** – number of countries where Agricore United ships its grain
- **1 BILLION** – dollars available to growers in credit annually through Agricore United Financial



OPTIMIZING CROP OPPORTUNITIES

Regularly updated information from Agricore United's Grain Merchants on demands from end-use markets, as well as product profiles and past performance of the varieties, helps determine which specific hybrids and varieties will best suit the farmer's objectives.

Crop selection is a knowledge-intensive activity. It incorporates long-term crop rotation plans and provides the flexibility to take advantage of emerging opportunities and favourable market conditions.

As part of our commitment to delivering superior products and services, Agricore United's CSRs work closely with their farmer customers to help them make the best seed selection for their operation. The decision making process begins with a careful review of several criteria. The first step considers how the farmer will manage risk and cash flow by estimating costs of production and predicted crop values to calculate break-even levels for different crops. Suitability of soil type, weed control needs, previous crop yield and tillage practices and insect or disease issues are just some of the production factors that are taken into account. A look at the marketing plan to see how crop and variety selections might impact cash flow is also essential.

Regularly updated information from Agricore United's Grain Merchants on demands from end-use markets, as well as product profiles and past performance of the varieties, helps determine which specific hybrids and varieties will best suit the farmer's objectives. The possibilities may seem endless when one considers the various products and technology systems available to growers today. Agricore United benefits from several strategic seed partnerships with leading organizations such as Monsanto, BASF, Bayer and Pioneer Hi-Bred, as well as proprietary seed innovations under the Proven® Seed brand that offer growers the opportunity to maximize performance and yield potential.

With seed selected the work continues as CSRs remain in close contact with their customers to help develop a nutrient plan, including soil testing and sophisticated nutrient analysis, as well as in-season requirements for crop protection and nutrition. Agronomic Crop Enhancement (ACE) Specialists are an integral part of the team available to Agricore United's farmer customers throughout the growing season. Their highly-specialized training makes them a valuable resource for trouble-shooting situations and for optimizing crop performance.

At summer's end, CSRs and growers consider any end-of-season crop protection and nutrition needs. As the crops come off the fields, attention shifts to grain sampling and fulfilling contractual obligations for grain sales. And though the growing season will come to a close, the work doesn't stop. Eventually the grain from this new crop, and stored grains from previous seasons, will be delivered to end users around the world. But before it is, Agricore United ensures that the integrity of the crop remains intact as it makes its way through the delivery chain.

- **MORE THAN 150** – number of varieties of canola, wheat, oats, barley, Linola™, flax and forages available through Agricore United, many of which are exclusive to the Proven Seed line

- **190** – combined years of professional agricultural experience among Agricore United's 11 Agronomic Crop Enhancement Specialists; an average of 17 years each

ENSURING QUALITY AND SAFETY

We have the ability to assure any potential end-use customer that we can meet their needs for traceability and safety, and give them confidence in the consistency of the product delivered.

A commitment to quality and evaluation is a major area of focus for Agricore United. We understand the direct correlation between consumer and food manufacturer demands for safe, high-quality food and how our products have been produced and handled. Our insistence on food safety and traceability means each stage of our handling processes – whether for selling crop inputs, moving grain or manufacturing feed through Livestock Services – are subject to measurement and controls that meet rigorous international standards.

All of our processing and handling operations – from conventional grain elevators to high throughput elevators to distribution centres and port terminals – are ISO 9001:2000 registered and HACCP (Hazard Analysis Critical Control Point) compliant. ISO, or the International Standards Organization, is a non-governmental organization that oversees efforts to ensure the development, manufacturing and supply of products and services is safe and efficient. For Agricore United, this means that we must document the processes in place to identify and track the crops from seed distribution to delivery to end-use markets. For example, when it comes to grain handling, all weighing instruments must be standardized and employees are specially trained in the inspection of grain in accordance with the Canadian Grain Commission primary and export standards. It also means that the organization is subject to regular, independent audits to ensure compliance.

Unifeed Limited feed mills comply with all federal regulations and are certified or compliant with HACCP guidelines, the internationally recognized system of quality control management for food safety. HACCP certification for food safety means that Agricore United's products must meet stringent food safety requirements before they continue in the food production chain from grower to end user. The seven basic principles of HACCP include: identifying potential hazards and preventive measures to control them; determining critical control points and establishing limits; monitoring procedures; and corrective actions and measures to ensure systems are working correctly. Effective record keeping is the final essential step to meet the requirements for HACCP certification.

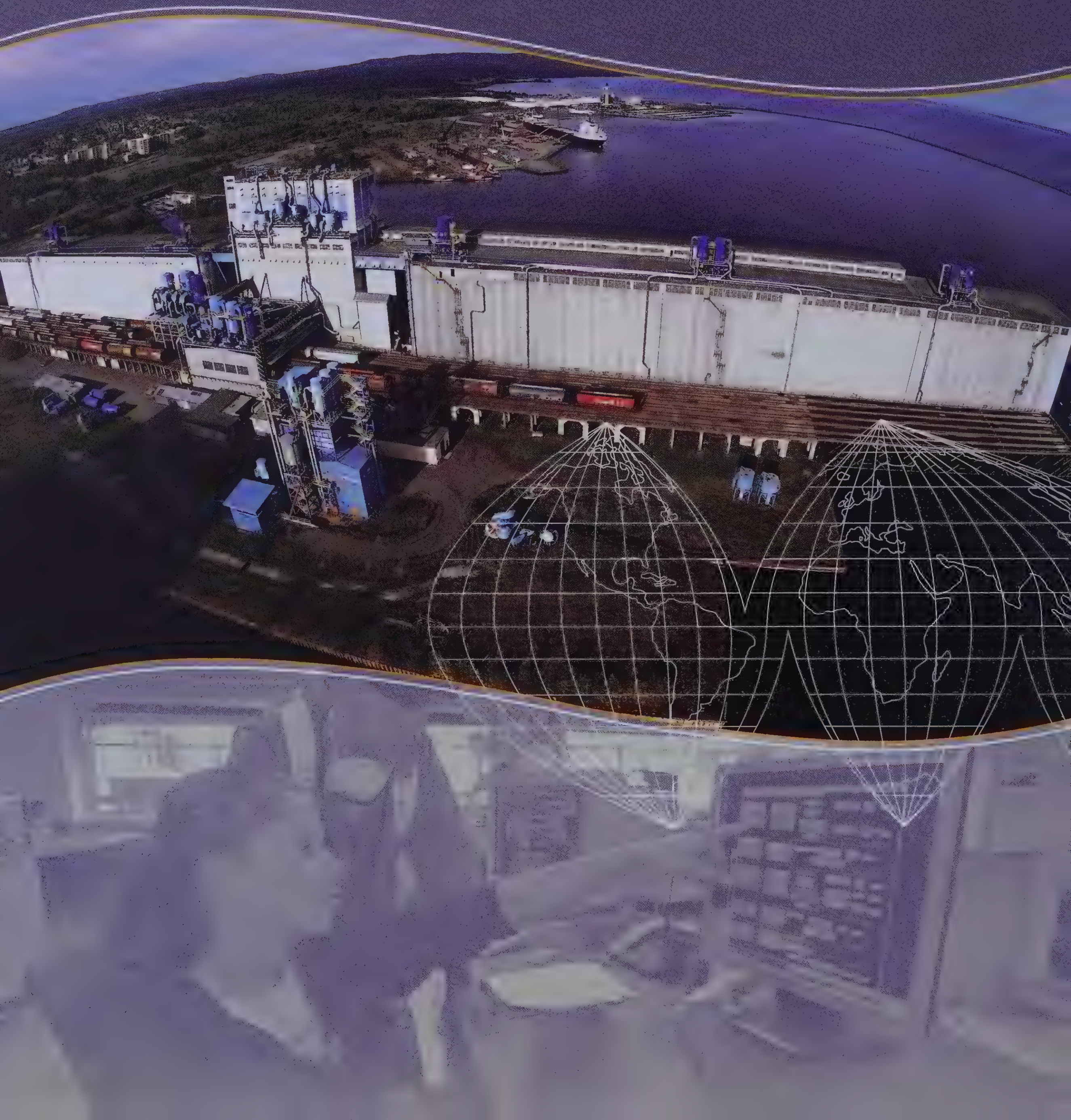
The significance of these efforts is that we have the ability to assure any potential end-use customer that we can meet their needs for traceability and safety, and give them confidence in the consistency of the product delivered. Ultimately, meeting international standards for safety and quality also means good news for our farmer customers because we can open doors to markets that might otherwise be unreachable.

- **113** – combined number of HTP elevators, distribution centres, terminals, feed manufacturing plants and beans/special crops processing facilities that are HACCP compliant

- **885,000** – tonnes of feed and ingredients sold in 2004 through Agricore United's feed mill operations in our Livestock Services Division

COMPLETING THE CHAIN

A good return for the farmer customer and for Agricore United comes down to our ability to successfully move the grain to the right place at the right time. A combination of superior knowledge, sophisticated technology and processes and strong relationships is what makes it possible.



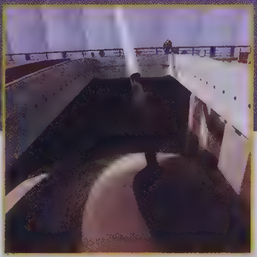
As the growing season comes to an end, the cycle begins again for Agricore United. Growers deliver their grain to us and we in turn deliver it to end-use markets around the world. Ultimately, a good return for the farmer customer and for Agricore United comes down to our ability to successfully move the grain to the right place at the right time. A combination of superior knowledge, sophisticated technology and processes and strong relationships is what makes it possible.

Knowledge is a critical element of Agricore United's complete offering. When it comes to grain merchandising, the exceptional world-wide market intelligence of our Merchants enables our farmer customers to receive up-to-the-minute information about emerging contracting opportunities around the globe. In addition, our CSRs use their extensive knowledge of their customers' operations to help source and move grain to fulfill the needs of the end user.

Agricore United uses leading-edge technology and processes to help do that. Sophisticated communications networks link our merchandising staff with buyers in international markets. New market opportunities can come and go at lightening speed, and these networks allow CSRs to get real-time information and pass it on to customers almost instantly. The sophistication is also evident in our ability to move the grain. The innovative Smart Haul® program takes the burden and expense of transporting grain off the farm out of growers' hands. With grain in the hands of Agricore United, state-of-the-art high throughput elevators across the Prairies and port terminals in Thunder Bay, Vancouver and Prince Rupert become the gateways to international destinations for Canadian grain.

The sophistication of the processes, networks and telecommunications would be nothing without the relationships. Relationships between the grower and CSR, the CSR and the Merchants, and the Merchants and the end-use customers around the world are what make the entire chain possible. This connectivity is ultimately what gives Agricore United the ability to offer grower customers a chance to benefit from the world of opportunity that exists in agriculture today.

- **10 MILLION** – tonnes of grain shipped in 2004 to domestic and international markets by Agricore United
- **98,400** – number of rail cars shipped through Agricore United's freight management system annually



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis as at December 9, 2004 should be read in conjunction with the financial statements and notes to the financial statements on pages 35 to 51 of this report that have been prepared using Canadian generally accepted accounting principles ("GAAP"). Unless otherwise indicated, a reference to a year relates to the Company's fiscal year ended October 31. Unless specifically stated to the contrary, all amounts are reported in Canadian dollars.

In June 2002, Agricore United announced a change in its financial year-end from July 31 to October 31 commencing in 2002. Accordingly, the Company's audited annual financial statements at October 31, 2002 include the operating results for the 15-month period commencing August 1, 2001. Certain unaudited financial information for the 12 months ended October 31, 2002 has been presented below in order to facilitate comparative analysis of the results. Unless otherwise indicated, references to financial information for the 2002 year are to financial information for the Company for the twelve-month period ended October 31, 2002.

RESULTS OF OPERATIONS

HIGHLIGHTS

- IMPROVED GRAIN HANDLING VOLUMES AND MARGIN – The Company's grain handling volume for the year ended October 31, 2004 increased by 2.6 million tonnes (or 35%) to 10 million tonnes despite poor fall weather conditions which delayed the 2004 harvest. The 2004 average margin increased to $21.34 per tonne from $20.58 in 2003 (excluding the effects of the $4.6 million grain volume insurance recovery).
- IMPROVED GRAIN HANDLING EBITDA – Grain Handling EBITDA increased $48 million to $68.7 million for the year ended October 31, 2004, attributable to the significantly higher volume of grain shipped at an improved average margin per tonne that more than offset the increase in operating, general and administrative ("OG&A") expenses.
- WEATHER-RELATED DECREASES IN CROP NUTRITION AND CROP PROTECTION SALES – In 2004, a late spring, wetter and cooler than normal growing conditions compounded by a wet fall and late harvest, contributed to a 17% reduction in fertilizer tonnes sold and a $20 million (or 6.7%) reduction in crop protection product sales compared to 2003.
- LOWER CROP PRODUCTION SERVICES EBITDA - Crop Production Services ("CPS") EBITDA of $53.1 million for the 2004 fiscal year declined by $44 million from 2003 due to the significant impact of poor weather conditions on crop nutrition and crop protection product sales and reduced earnings of its subsidiaries.
- CONTROLLED GRAIN HANDLING AND CROP PRODUCTION SERVICES OPERATING COSTS – Total OG&A expenses for the Grain Handling and Crop Production Services business segments increased by only 4.2% despite a 35% increase in grain handling activity. Grain Handling and Crop Production Services OG&A expenses represent 77% of the Company's total OG&A expenses.
- CONTINUED IMPROVEMENT IN LEVERAGE – The Company reduced its total funded debt (excluding the 9% convertible unsecured subordinated debentures (the "Debentures")), net of cash, from $510 million to $443 million between October 31, 2003 and October 31, 2004. Weighted-average leverage for the 12 months ended October 31, 2004 improved to 45.4% from 46% in 2003.

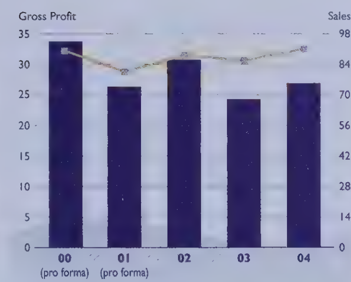
SALES AND OTHER KEY OPERATING METRICS

Sales and revenue from services for the year ended October 31, 2004 increased to $3 billion, compared to $2.7 billion in fiscal 2003, primarily due to the increased volume of grain handled, higher grain prices and increased livestock feed tonnes sold, offset by lower Crop Production Services sales.

For the years ended October 31		2004		2003
Grain Handling Segment				
Shipments (million tonnes)		**10.0**		7.4
Average margin per tonne	**$**	**21.34**	$	21.20
Crop Production Services Segment				
Seed, Fertilizer and Crop Protection sales ($ millions)	**$**	**735.2**	$	826.8
Average margin (%)		**22.0%**		24.7%
Livestock Services Segment				
Manufactured feed tonnes sold (million tonnes)		**0.89**		0.82
Manufactured feed gross profit ($ millions)	**$**	**40.1**	$	37.5
Average feed margin per tonne	**$**	**45.29**	$	45.93
Livestock sales and revenue from services ($ millions)	**$**	**65.3**	$	48.0
Livestock gross profit and other revenues ($ millions)	**$**	**3.8**		2.9

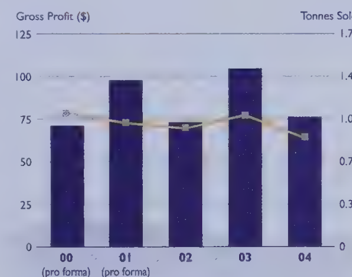
[1]Earnings before interest, taxes, depreciation and amortization, gains or losses on asset disposals and discontinued operations net of tax ("EBITDA") and earnings before interest, taxes, gains or losses on asset disposals and discontinued operations net of tax ("EBIT") are provided to assist investors in determining the ability of the Company to generate cash from operations to cover financial charges before income and expense items from investing activities, income taxes and items not considered to be in the ordinary course of business. A reconciliation of such measures to net income is provided in the Consolidated Statements of Earnings and Retained Earnings and note 22 to the Consolidated Financial Statements included on pages 35 to 51 of this report. The items are excluded in the determination of such measures as they are non-cash in nature, income taxes, financing charges or are otherwise not considered to be in the ordinary course of business. EBITDA and EBIT provide important management information concerning business segment performance since the Company does not allocate financing charges or income taxes to these individual segments. Such measures should not be considered in isolation of or as a substitute for (i) net income or loss, as an indicator of the Company's operating performance or (ii) cash flows from operating, investing and financing activities, as a measure of the Company's liquidity. Such measures do not have any standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

For the years ended October 31 ($ millions)		2004		2003
Gross profit and revenue from services				
Grain Handling	$	213.6	$	157.1
Crop Production Services		161.6		204.0
Livestock Services		43.9		40.4
Financial Markets and Other Investments		9.4		9.0
	$	428.5	$	410.5
Operating general and administrative expenses				
Grain Handling	$	144.9	$	136.4
Crop Production Services		108.5		106.9
Livestock Services		34.4		30.7
Financial Markets and Other Investments		3.4		2.1
Corporate		38.7		33.9
	$	329.9	$	310.0
EBITDA				
Grain Handling	$	68.7	$	20.7
Crop Production Services		53.1		97.1
Livestock Services		9.5		9.7
Financial Markets and Other Investments		6.0		6.9
Corporate		(38.7)		(33.9)
	$	98.6	$	100.5
EBIT				
Grain Handling	$	36.6	$	(14.9)
Crop Production Services		31.6		72.6
Livestock Services		5.7		6.5
Financial Markets and Other Investments		5.9		6.8
Corporate		(46.4)		(43.1)
	$	33.4	$	27.9



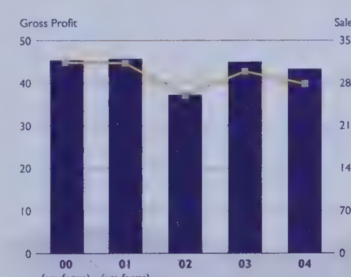
Seed Gross Profit and Sales
($ millions)
Years ended October 31

Gross Profit
Seed Sales



Fertilizer Gross Profit and Tonnes Sold
(millions)
Years ended October 31

Gross Profit
Fertilizer Tonnes Sold



Crop Protection Gross Profit and Sales
($ millions)
Years ended October 31

Gross Profit
Crop Protection Sales

BUSINESS SEGMENT FINANCIAL RESULTS

SEASONALITY

The Company's earnings follow the seasonal activity pattern of Prairie grain production. Activity peaks in the spring as new crops are sown and in the fall as mature crops are harvested. Sales of CPS products peak during May through July, corresponding with the start of the growing season, followed by increased levels of crop nutrient sales in the late fall. Although relatively steady throughout the year, Livestock Services sales tend to peak during the winter months as feed consumption increases. Financial Markets agency fees follow the related pattern of sales of the underlying activity of Crop Production Services and Livestock Services. Sales patterns have a significant impact on the level of earnings and generally result in lower earnings throughout the early months of the fiscal year, with significant increases occurring in the third quarter ended July 31.

CROP PRODUCTION SERVICES

Agricore United manufactures, distributes and provides crop production support for a variety of inputs, including crop nutrition and crop protection products, seed and agronomic services through 279 Customer Service Representatives ("CSRs") operating from the Company's network of 85 country elevators and 109 stand-alone crop production centres. Crop nutrition includes soil nutrient assessment and application services, and sales of fertilizer products. The Company offers more than 250 crop protection products including herbicides and insecticides and provides custom application services directly or through third-party contractors. Certified seed varieties, such as Proven® Seed, Agricore United's exclusive seed brand, offer improved yield potential and other value-added traits. The Company provides agricultural consulting and crop planning services to help farmers meet their production goals or address other specific needs. Agronomic Crop Enhancement (ACE) specialists, who provide technical advice on crop production issues and the most profitable crop production practices, support the Company's CSRs.

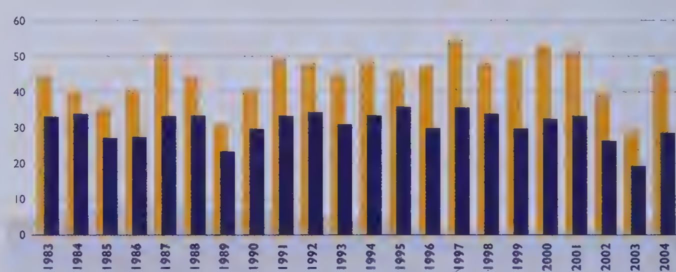
Sales of crop nutrients, crop protection products and seed decreased by $91.6 million (11%) to $735.2 million for the fiscal year ended October 31, 2004 compared with the same period in 2003. Fiscal 2004 sales of 890,000 tonnes of crop nutrients declined by about 188,000 tonnes or $77 million from 2003. The Company sold fewer tonnes of crop nutrients, particularly in Alberta and Manitoba, as the late spring and unfavourable weather conditions limited opportunities for customers to apply fertilizer prior to seeding. Compounding the problem, a late harvest and continued poor weather later in the fall severely limited fall fertilizer application. Crop protection product sales decreased by $20.3 million (or 6.7%) to $279 million for the fiscal year ended October 31, 2004, largely due to lower sales in the third quarter when excess moisture conditions precluded some customers from applying herbicide at the appropriate stages of weed growth. Seed sales increased by $5.2 million (or 6.1%) in 2004 compared to the same period in 2003. Other sales and revenue from services declined by $10.3 million to $19 million for the year ended October 31, 2004 compared to $29.3 million for the same period in 2003 – reflecting lower sales of agri-services (custom application, NH_3 application and agronomic services) related to reduced underlying product sales. The balance of supplier rebates from the preceding season's crop protection product sales, received in the first quarter of the fiscal year, were also lower this year than in 2003.

Gross profit and net revenue from services for fiscal 2004 declined by $42.3 million (21%) to $161.6 million. The average sales margin of 22% in fiscal 2004 declined 2.7% from 2003 primarily the result of a lower contribution from the Company's joint venture, Western Co-operative Fertilizers Limited ("Westco"). Westco's fertilizer manufacturing subsidiary, Canadian Fertilizers Limited, benefited from inventory value appreciation in 2003 that did not recur this year. The average retail crop nutrition margin per tonne (excluding Westco) in 2004 remained relatively unchanged from 2003. The reduction in agri-services also lowered net revenue, but was partially offset by higher margins on crop protection product sales.

CPS OG&A expenses of $108.6 million for the year ended October 31, 2004 increased a modest 1.6% compared to $106.9 million in the same period in 2003. Although CPS OG&A expenses fluctuate with the peak sales season in the spring and fall, such seasonal fluctuations are fairly consistent from year to year and consequently, CPS OG&A costs remain relatively fixed over any consecutive 12-month period. As a result, CPS EBITDA of $53.1 million for the year declined by $44 million from EBITDA of $97.1 million in 2003. However, a $3 million reduction in depreciation and amortization expenses resulted in EBIT of $31.6 million for the year ended October 31, 2004 compared to $72.6 million for 2003.

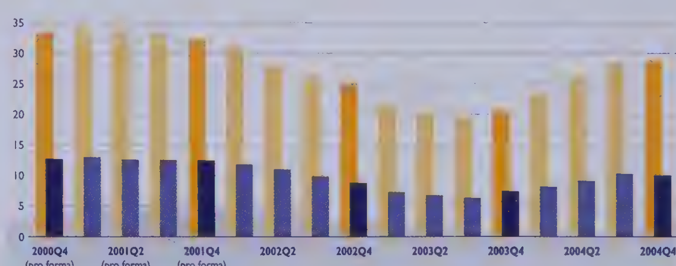
GRAIN HANDLING

The grain handling industry typically ships most of the grain produced in the 12-month period ended July 31 (the "Crop Year") over the course of the next twelve months, depending on the timing of the harvest. Excluding the effect of the unusually severe 2002 drought, western Canada (the provinces of Manitoba, Saskatchewan, Alberta and British Columbia) produced an annual average 48.2 million tonnes of the six major grains (wheat, barley, oats, canola, flax, peas) over the past 10 Crop Years, representing about 95% of Canada's productive capacity. On average, about 32.5 million tonnes (or 67%) of total production is delivered to the primary grain elevator network operated by grain handlers such as Agricore United. Grain Handling encompasses contracting, marketing and transporting grain from the farm to end-use markets utilizing the Company's 85 country grain elevator locations, 109 crop production centres and full or partial ownership of six port terminals. Grain Handling begins with moving the grain from the farmer's field to the Company's geographically-dispersed and strategically located country elevator network. The grain is weighed and the quality is assessed. Grain is then shipped



Western Canadian Grain Production and Primary Elevator Shipments
(million tonnes)
For the crop years ended July 31

Shipments
Prior Year Production



Grain Handling Shipments
(million tonnes)
Trailing twelve months ended

Agricore United
Industry

from the country elevator to domestic, U.S. or Mexican customers (such as a flourmill or maltster) or to a port terminal, usually for shipment to off-shore end-use customers.

The Canadian Grain Commission ("CGC") reported industry shipments of 28.9 million tonnes of the six major grains during the 12 months ended October 31, 2004, an increase of 8.3 million tonnes (or 40%) over the same period in 2003. Industry shipments in 2004 represented about 90% of the industry shipments in the same period ended October 31, 2001 (prior to the effects of either the 2001 or 2002 droughts).

Agricore United shipped 10 million tonnes in the 12 months ended October 31, 2004, a 2.6 million tonne (or 35%) increase over 2003. The Company shipped 5.6 million tonnes of Canadian Wheat Board ("CWB") grains during the 12 months ended October 31, 2004, an increase of 1.4 million tonnes (or 34%) compared to the same period in 2003. The ratio of Company to industry grain shipments decreased slightly to 34.7% (2003 – 36%) for the 12 months ended October 31, 2004.

The Company handled 5.6 million tonnes of grain (or 56% of its total grain shipments) through its port terminals in 2004, an increase of 50% over the 3.7 million tonnes (or 50% of its total grain shipments) handled through its port terminals in 2003. The lower port terminal handling in the prior year arose as a result of the 2002 drought and the closure of all grain terminals in the port of Vancouver from August 26th to December 6th, 2002 due to a labour dispute. By comparison, the Company handled 59.5% of its grain shipments through its port terminal operations in the 12 months ended July 31, 2002 (prior to the effects of the 2002 drought).

Grain Handling gross profit and net revenue from services of $213.6 million ($21.34 per tonne) for 2004 increased $56.4 million (or 36%) over last year. The average margin per tonne for the same period last year was $20.58, excluding a $4.6 million additional recovery from the Company's grain volume insurance program related to the crop year ended July 31, 2002. Commodity margins per tonne on CWB grains strengthened in the current year compared to 2003 due to increased handling services, higher handling through the Company's port terminals and the absence of the sudden escalation in vessel freight costs that occurred in late fiscal 2003.

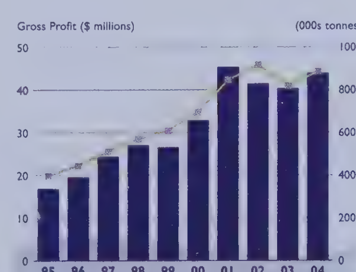
Grain Handling OG&A expenses of $149.4 million for the year ended October 31, 2004 increased by $13 million (or 9.5%) over the same period in 2003, despite a modest decline in expenses in the fourth quarter. The increase was largely attributable to higher insurance costs ($7.3 million) and increased operating activity in the port terminals. Increased port terminal activity reflected more normal operating volumes in 2004 compared to last year when a labour dispute closed the Vancouver port grain terminals and the effects of the 2002 drought dramatically reduced grain handling opportunities. The balance of Grain Handling OG&A expenses related to merchandising, logistics and country operations did not increase significantly over last year despite the substantial increase in grain handling activity. Offsetting the underlying increase in port terminal OG&A expenses, the Company recovered $4.5 million in the first quarter from a property tax reassessment for the years 1996 to 2003, related to its terminals in Thunder Bay, Ontario, after both the Ontario Municipal Property Assessment Corporation and the Thunder Bay city council agreed to adjust the calculation methodology underlying the assessment. Net of this property tax recovery, Grain Handling OG&A expenses for the year ended October 31, 2004 increased by $8.5 million.

Grain Handling EBITDA in 2004 increased $48 million to $68.7 million attributable to the significantly higher volume of grain shipped at an improved average margin per tonne that more than offset the increase in OG&A expenses. Depreciation and amortization expenses of $32.1 million for the year ended October 31, 2004 decreased by $3.6 million (or 10%) over last year as the Company benefited from the consolidation of its country grain handling facilities. Consequently, Grain Handling EBIT of $36.6 million ($3.66 per tonne) for the year ended October 31, 2004 increased by $51.5 million over the segment's EBIT loss of $14.9 million (loss of $2.02 per tonne) in fiscal 2003.

LIVESTOCK SERVICES

The Company's Livestock Services division formulates and manufactures feed for swine, dairy and beef cattle, poultry and other specialty feeds from eight feed mills and two pre-mix manufacturing centres in British Columbia, Alberta and Manitoba. The manufacture of complete feeds and supplements provides feed formulations containing all or a significant portion of the nutritional requirements of the livestock being fed. Manufactured pre-mixes supply a base mix of vitamins and minerals to livestock producers who do their own complete feed manufacturing. Agricore United's feed mills comply with all federal regulations and are all certified or compliant with Hazard Analysis Critical Control Point ("HACCP") guidelines, the internationally recognized system of quality control management for food safety. To complement its manufacture and sale of feed, Livestock Services also engages in marketing swine and other ancillary services such as arranging financing for livestock producers.

Feed sales of $226.9 million ($256 per tonne) for the year ended October 31, 2004 remained unchanged from the $226.9 million ($277 per tonne) sold in the same period of 2003, despite higher tonnes sold in 2004. The increased availability this year of less expensive domestic feed inputs compared to the post-2002 drought conditions of last year lowered the average sales value per tonne. Feed prices tend to fluctuate in response to underlying input costs and accordingly, the profitability of feed manufacturing tends to be more closely correlated to tonnes sold rather than gross sales revenues.



Feed Gross Profit and Tonnes Sold
Years ended October 31

Gross Profit
Feed Tonnes Sold

Feed sales of 885,000 tonnes in 2004 improved by 69,000 tonnes (8.5%) from 816,000 tonnes last year, as the Company leveraged its new and modernized feed mill assets to gain sales under adverse market conditions. The effects of the single case of bovine spongiform encephalopathy ("BSE") discovered in Alberta over 18 months ago led to ongoing trade restrictions affecting the export of Canadian live cattle. Cattle on feed remain at historically low levels relative to feedlot capacity and seasonal utilization despite the decline in the cost of feed, due to lower ingredient costs, and the development of alternative markets. The acquisition of Vertech Feeds Ltd. on February 1, 2004 accounted for about 17,000 tonnes of the sales increase.

Gross profit of $43.9 million (2003 – $40.4 million) includes $40.1 million ($45.29 per tonne) from feed tonnes sold for the year ended October 31, 2004, an improvement of $2.6 million over gross profit of $37.5 million ($45.93 per tonne) from feed tonnes sold in 2003.

Swine sales of $61.5 million for the year increased by $16.7 million (or 37%) from $44.8 million in the same period last year, reflecting stronger demand and prices for hogs. Gross profit for swine sales increased from $45,000 to $425,000 for 2004. Other revenues of $3.4 million in 2004 improved by $531,000 over last year, entirely due to continued improvement in the financial performance of the Company's equity investment in The Puratone Corporation, one of the largest swine producers in Manitoba.

OG&A expenses increased by $3.7 million to $34.4 million for the year ended October 31, 2004, largely the result of increased provisions for bad debts and higher property insurance costs as well as increased feed manufacturing activity and the acquisition of Vertech Feeds Ltd. on February 1, 2004. Bad debt provisions and account write-offs increased by $1.8 million as a result of restructuring outstanding trade credit with customers under pressure from the effects of BSE, avian flu and, until recently, marginal profitability on hogs.

Consequently, EBITDA of $9.5 million for 2004 declined modestly from $9.7 million last year. Sustaining capital reinvestment in feed mills and the acquisition of Vertech Feeds Ltd. resulted in a $638,000 increase in depreciation and amortization expenses to $3.8 million for 2004. This in turn, contributed to an $814,000 year-over-year decline in EBIT to $5.7 million for the year ended October 31, 2004.

FINANCIAL MARKETS AND OTHER INVESTMENTS

Through its alliance with a Canadian Schedule One chartered bank, the Company's branded trade credit financing vehicle, Agricore United Financial™ ("AU Financial"), provides the farmer customer with increased flexibility on credit repayment terms at competitive rates for unsecured trade credit. During the fiscal year and consistent with 2003, approved credit exceeded $1 billion with customer usage peaking at $371 million at June 30, 2004. In conjunction with the same Canadian Schedule One chartered bank, the Company's latest branded credit financing vehicle, Unifeed Financial™, arranges secured loans to livestock producers to purchase feeder cattle and feeder hogs, as well as related feed inputs, with terms that do not require payment until the livestock is sold. Unifeed Financial was announced December 23, 2003 and had $11.6 million of outstanding credit at October 31, 2004 advanced to customers since February 19, 2004 against approved credit of $37.1 million. The Company continues to directly manage the customer relationship and receives a fee for performing front-end credit review and management services.

Other Investments include the Company's ongoing equity interest in complementary businesses including an insurance company and insurance brokerage firm.

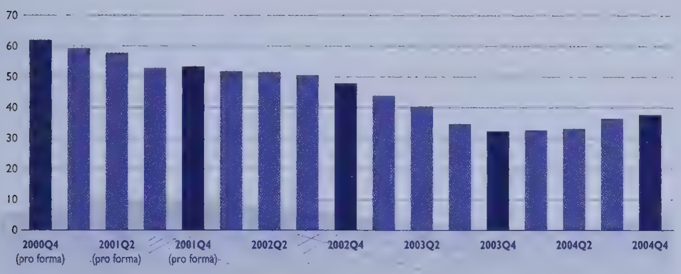
Revenues of $9.1 million from AU Financial and Unifeed Financial for the year ended October 31, 2004 increased $2.7 million compared to the same period last year – the result of recovering an $833,000 provision for prior years' interest rebate, introducing Unifeed Financial in the second quarter of 2004 and general growth in AU Financial. Other revenue for the year included credit recoveries of $736,000 and earnings from equity investments of $1.3 million, offset by foreign currency transaction and translation losses of $1.7 million. Other revenue for 2004 declined by $2.5 million compared to the same 12 month period last year due to the absence of a $2.5 million cumulative foreign currency translation gain on a subsidiary recorded in 2003, a $538,000 reduction in credit recoveries (as the quality of trade credit continues to improve) and a $700,000 decline in earnings from equity investments and miscellaneous revenues, offset by a reduction of $1.2 million in foreign currency translation losses from ongoing operations.

OG&A expenses of $3.4 million for the year ended October 31, 2004 increased $1.4 million over the same period in 2003. The increase primarily reflects the Company's indemnity provisions (to a Canadian Schedule One chartered bank) related to the timing of about $350 million in financing provided to crop input customers by AU Financial as well as the new credit advanced under Unifeed Financial. As a result of the reduction in other revenues which more than offset the continued growth in AU Financial and Unifeed Financial, segment EBIT of $5.9 million for the year ended October 31, 2004 declined $957,000 compared to the same period in 2003.

CORPORATE EXPENSES

Supporting the Company's other operating segments, the Corporate division provides a variety of centralized functions including human resources management, management information systems development and support, treasury, financial reporting, taxation, legal, risk management, corporate audit services, shareholder and member services and investor relations.

Corporate OG&A expenses for the year ended October 31, 2004 increased $4.8 million to $38.7 million, largely due to the absence of an employee future benefit curtailment gain of $1.7 million recorded in 2003 coupled with a $2.1 million increase in pension and other post-employment benefit expenses in the most recent year. A $1.5 million reduction in Corporate depreciation and amortization expenses, primarily resulting from lower depreciation on furniture and fixtures and reduced deferred financing expenses, limited the year increase in total expenses to $3.3 million or $46.4 million for the year ended October 31, 2004.



Corporate OG&A Expenses
($ millions)
Trailing twelve months ended

CONSOLIDATED FINANCIAL RESULTS

For the years ended October 31

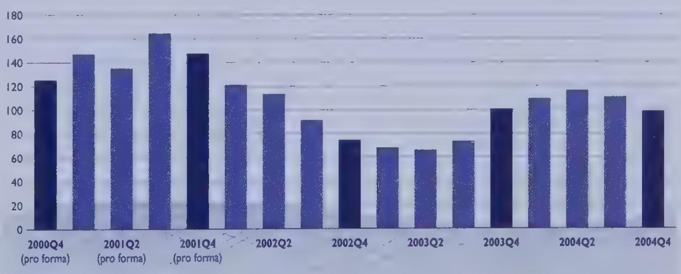
($ millions)		2004		2003
Gross profit and net revenue from services	$	428.5	$	410.5
Operating, general and administrative expenses		(329.9)		(310.0)
EBITDA		98.6		100.5
Depreciation and amortization		(65.2)		(72.6)
EBIT		33.4		27.9
Gain (loss) on disposal of assets		(0.3)		1.6
Interest and securitization expenses		(52.1)		(53.7)
		(19.0)		(24.2)
Recovery of income taxes		5.3		5.9
Net loss from continuing operations		(13.7)		(18.3)
Discontinued operations, net of income taxes		—		12.7
Net loss for the year	$	(13.7)	$	(5.6)

GROSS PROFIT AND NET REVENUE FROM SERVICES, EBITDA AND EBIT

The Company's gross profit and net revenue from services increased by $18 million (or 4.4%) to $428.5 million for the year ended October 31, 2004, due to higher earnings from the significant increase in grain shipments and improved grain handling margins, offset by lower CPS sales and profits as a result of adverse weather conditions.

Total OG&A expenses increased to $329.9 million for the year ended October 31, 2004 compared to $309.9 million last year, due to increased operating activity in the port terminals, higher insurance costs in Grain Handling and Livestock Services, higher credit expenses for Livestock Services and higher Company pension and other post-employment benefit expenses. The weighted-average equivalent full-time staff[2] for the year ended October 31, 2004 was 2,788 compared with 2,728 for the prior year, with the increase largely due to increased operating activity at port terminals.

EBITDA of $98.6 million for the year ended October 31, 2004 decreased by $2 million over last year, due to lower CPS sales and earnings and higher OG&A expenses that more than offset improved Grain Handling profitability.



Agricore United EBITDA
($ millions)
Trailing twelve months ended

Depreciation and amortization expenses of $65.2 million for fiscal 2004 decreased by $7.4 million over the prior year ended October 31, 2003, the result of consolidating the Company's country grain handling facilities and completing the amortization of certain deferred financing, insurance and seed development costs.

As a result, EBIT of $33.4 million for the year ended October 31, 2004 improved by $5.4 million compared to EBIT of $27.9 million in 2003.

GAIN ON DISPOSAL OF ASSETS

A $289,000 loss on disposal of assets during the year ended October 31, 2004 arose from dispositions in the normal course of business, from which the Company realized cash proceeds of $4.6 million. The gain of $1.6 million during the same period in 2003 largely reflected the excess of insurance proceeds over the net book value of a country elevator destroyed by fire.

INTEREST AND SECURITIZATION EXPENSES

The Company reduced interest and securitization expenses by $1.5 million to $52.1 million for the year ended October 31, 2004. Interest and securitization expenses for 2004 included $33.8 million of interest on long-term debt, $9.5 million of interest on the Debentures (see "Liquidity and Capital Resources – Convertible Debentures"), $9.4 million on short-term debt and $1.7 million in securitization expenses, offset by $1.9 million in carrying charges recovered from the CWB in respect of grain purchased on its behalf.

[2]*Excluding staff related to non-wholly-owned subsidiaries and operations discontinued during fiscal 2003 as a result of the sale of the Farm Business Communications division.*

Average long-term debt of $372.6 million in 2004 declined 1.6% from last year due to scheduled repayments. Long-term interest costs decreased by $1.6 million (4.6%) this year compared to last year due to the combination of lower average long-term debt and reduced borrowing costs attributable to a reduction in long-term, fixed interest rate debt.

The Company's average short-term indebtedness of $177 million over the year to October 31, 2004 declined by 6.1% from an average of $188.6 million in 2003. Short-term interest costs declined $1.9 million from last year due to lower average borrowing costs of 5.3% in 2004 (2003 – 6%). Capitalized interest, related to capital expenditures, increased $225,000 to $912,000 for the year ended October 31, 2004, as the number of major capital projects undertaken during the year increased.

The average value of grain inventory held on behalf of the CWB of $50.3 million during the year ended October 31, 2004 declined $34.9 million (or 41%) from 2003 and was the primary reason for the $2.1 million reduction in carrying charges recovered from the CWB in respect of grain purchased on its behalf, offset by a $796,000 reduction in related securitization expenses.

INCOME TAXES

The Company's effective tax recovery rate on the loss from continuing operations was 28% for the year ended October 31, 2004 (2003 – 24.5%). The low tax recovery rate for the current and prior years reflects the effect of the federal Large Corporation tax (which levies a flat rate on capital employed at the end of the year).

NET LOSS FROM CONTINUING OPERATIONS

The net loss from continuing operations of $13.7 million ($0.33 basic and diluted loss from continuing operations per share) for the year ended October 31, 2004 was $4.5 million better than the net loss from continuing operations of $18.3 million ($0.43 basic and diluted loss from continuing operations per share) in 2003. Per share calculations increase the net loss from continuing operations by $1.1 million (2003 – $1.1 million), being the cost of the annual preferred share dividend.

DISCONTINUED OPERATIONS

The Company sold the assets and liabilities of its Farm Business Communications division effective September 30, 2003. The purchaser acquired the division's publications from Agricore United for $14.4 million in cash and assumed approximately $1.6 million of net liabilities, primarily prepaid subscriptions. The purchaser paid $12.2 million of the cash purchase price at closing and will pay the remaining $2.2 million in equal installments over three years. The gain on the sale of the Farm Business Communications division, net of closing costs, was $15 million before tax and $11.9 million after tax (or $0.26 per share).

As a result, there are no ongoing Farm Business Communications division operations and its earnings, net of taxes, of $821,000 for the year ended October 31, 2003 have been reclassified, together with the $11.9 million net gain on the division's sale, as discontinued operations in the presentation of the Consolidated Statements of Earnings and Retained Earnings.

NET LOSS FOR THE YEAR

There were no discontinued operations for the year ended October 31, 2004. The net loss for the year ended October 31, 2003 improved to $5.6 million ($0.15 basic and diluted loss per share) after including $12.7 million from discontinued operations, net of income taxes.

LIQUIDITY AND CAPITAL RESOURCES

DEBT RATINGS

As summarized in the following table, Standard & Poor's ("S&P") last rated the Company's long-term debt and commercial paper on March 27, 2003 at which time it also issued an initial rating on the Company's Debentures. At its last review on January 22, 2004, Dominion Bond Rating Service Limited ("DBRS") maintained its rating on the Company's senior long-term debt, Series "A" and "B" Notes and the Series "A" Convertible Preferred Shares, but improved the trend rating to Stable from Negative.

	Senior Long-term Debt	Series 'A' and 'B' Notes	9% Convertible Unsecured Subordinated Notes	Series 'A' Convertible Preferred Shares
Standard & Poor's	BB	BB	B+	na
Dominion Bond Rating Service Limited[2]	BB (low)	B (high)	na	Pfd-5 (high)

[1] As at March 27, 2003
[2] As at January 22, 2004

CONTINGENCIES

In late 2003, Canadian Fertilizers Limited ("CFL"), an investee of the Company's joint venture Westco, received a proposal letter from the Canada Revenue Agency ("CRA") as a result of an audit of its 1997 to 2000 taxation years. The CRA had taken the position that deductions by CFL for certain management fees paid under contract to another shareholder of CFL should not be allowed. CFL maintained that the CRA's position lacked merit and recent correspondence from CRA confirms that the tax dispute will be resolved with no impact on its shareholders. Years subsequent to 2000 have not yet been audited, however, based on discussions with CRA, CFL believes that the deductions will not be similarly challenged.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations due for each of the next five years and thereafter are summarized below:

Contractual Obligations
(in thousands)

		Payments Due by Period			
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Balance Sheet Obligations					
Long-term Debt	$ 361,254	$ 39,189	$ 82,132	$ 95,301	$ 144,632
9% convertible unsecured subordinated debentures	105,000	—	—	105,000	—
Reclamation provision	18,096	1,340	8,184	5,086	3,486
Other long-term obligations	5,922	—	922	—	5,000
	490,272	40,529	91,238	205,387	153,118
Other Contractual Obligations					
Operating leases	40,173	15,020	18,185	4,627	2,341
Purchase obligations[1]	311,770	289,914	19,523	2,333	—
	351,943	304,934	37,708	6,960	2,341
Total Contractual Obligations	$ 842,215	$ 345,463	$ 128,946	$ 212,347	$ 155,459

[1]Substantially all of the purchase obligations represent contractual commitments to purchase commodities and products for resale.

PENSION PLANS

At October 31, 2004, the market value of aggregate plan assets of the Company's various defined benefit plans exceeded the aggregate accrued benefit obligations. The Company has applied to the Office of the Superintendent of Financial Institutions ("OSFI") to amalgamate two defined benefit plans with an aggregate surplus of $16.5 million and two defined benefit plans with an aggregate deficit of $11.8 million, which would result in the Company having two defined benefit pension plans. If OSFI were to decline the amalgamation application, the Company may be required to fund the defined benefit plan deficits over a period of 5 to 15 years. The Company reported a deferred pension asset of $14.2 million in Other Assets at October 31, 2004. The Company made $399,000 in cash contributions to the defined benefit plans and $2.6 million in cash contributions to the defined contribution and multi-employer plans for the year ended October 31, 2004 (compared to the pension expense of $5.2 million recorded in the financial statements).

AGRICORE UNITED FINANCIAL AND UNIFEED FINANCIAL

Outstanding credit of $284 million at October 31, 2004, advanced by a Canadian Schedule One chartered bank under AU Financial declined from outstanding credit of $296 million at October 31, 2003, largely due to the poor weather-related crop inputs sales season during the recent fourth quarter. Although credit over 90 days at October 31, 2004 has increased to 1.6% of total outstanding receivables from 0.9% a year earlier, over 90% of outstanding credit is related to the Company's highest credit rating categories, comparable to the prior year.

Unifeed Financial provides additional working capital financing, through a Canadian Schedule One chartered bank, to livestock producers to purchase feeder cattle, feeder hogs and related feed inputs under terms that do not require payment until the livestock is sold. The Company has indemnified the bank for aggregate credit losses of $2.3 million based on the first 20% to 33% of new credit issued on any individual account as well as for credit losses, shared on an equal basis, of up to 5% on the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of underlying accounts and the aggregate credit outstanding.

SECURITIZATION

On November 5, 2003, the Company transferred its securitization program to a new independent trust, which permits the Company to sell, on an unlimited basis, an undivided co-ownership interest in its right to receive reimbursements of amounts advanced to producers arising from the delivery of grains that are held in accordance with an agency contract between the Company and the CWB. Either party may cancel the securitization agreement on 60 days' notice. In the event of cancellation, the Company would either seek to establish a new securitization or similar program or finance the amounts due from the CWB through the Company's revolving credit line. As at October 31, 2004, the Company had securitized $28.7 million of amounts it is entitled to receive in respect of CWB grain compared with $43 million at October 31, 2003. About $4 million of such receivables remained unsecuritized at October 31, 2004 compared to $3.2 million at October 31, 2003.

The CWB compensates grain handlers for the cost of financing inventory purchased on its behalf and this recovery is recorded as an offset to Interest and Securitization Expenses in the Consolidated Statements of Earnings and Retained Earnings.

SHORT-TERM DEBT

The Company had approximately $23.1 million in Member and Employee Loans outstanding at October 31, 2004, a decrease of $628,000 from October 31, 2003 due to maturities and normal course redemptions. These loans are unsecured and repayable on demand bearing interest at rates between 2.5% and 5.5%.

Bank and other loans of $132.1 million at October 31, 2004 decreased by $43.8 million from October 31, 2003 as a result of $46.9 million generated from cash flow provided by operations for the year ended October 31, 2004, a $63.1 million decrease in non-cash working capital

(excluding working capital of $923,000 acquired in two business acquisitions and the effect of $3.5 million in merger provisions released to goodwill) and a $3.7 million decrease in cash on deposit, offset by $35.3 million net capital expenditures and investments, $26.8 million scheduled debt repayments, $6.5 million dividends paid, $1.2 million in reclamation expenditures, $3.2 million in deferred financing and other costs, net share capital redeemed and related redemption costs of $822,000, and $480,000 in debt assumed in a business acquisition.

The Company had $99.3 million in outstanding letters of credit at October 31, 2004 (a $4.3 million increase from a year earlier) in support of the security requirements of the CGC, Winnipeg Commodity Exchange and the Company's grain volume insurance program. The Company's available uncommitted short-term revolving credit facility at October 31, 2004 increased by $64.9 million to $169.4 million compared with an uncommitted facility of $104.5 million at the same time last year. The Company's uncommitted short-term revolving credit facility was $142.4 million at November 30, 2004, compared to $28 million at November 30, 2003.

CASH FLOW PROVIDED BY OPERATIONS

Cash flow provided by operations of $46.9 million ($1.01 per share) for the year ended October 31, 2004 declined $1.5 million over cash flow provided by operations of $48.4 million ($1.04 per share) for the same period last year. Lower cash provided by operations in the year ended October 31, 2004 compared to 2003 reflected a $1.9 million decrease in EBITDA, a $3.4 million increase in current income taxes, a $706,000 increase in undistributed earnings from equity investments and the absence this year of $962,000 in after-tax earnings from discontinued operations, offset by a $1.5 million decrease in interest and securitization expenses and excluding $4 million in non-cash pension and other post-employment benefit expenses.

Cash flow provided by operations of $46.9 million for the year ended October 31, 2004 exceeded the $35.3 million invested in property, plant, equipment and other assets by $11.6 million. Principal repayments on long-term debt and shareholder dividends totaled $33.3 million over the same trailing 12-month period.

WORKING CAPITAL

The current ratio at October 31, 2004 was 1.29 to 1 compared to 1.31 to 1 on the same date last year.

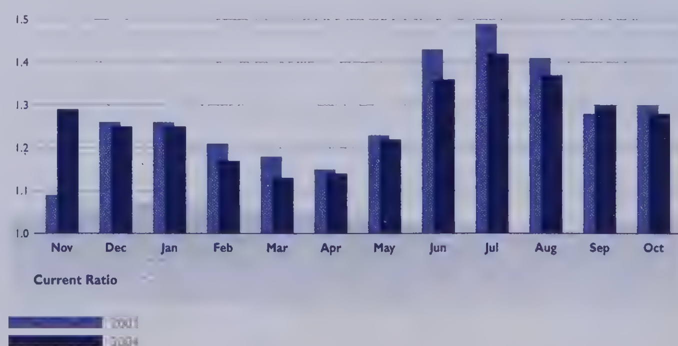
Working capital of $145.2 million at October 31, 2004 was $31.6 million lower than at October 31, 2003, the result of a $3.7 million decrease in cash and cash equivalents, a $63.1 million decrease in non-cash working capital and a $12.4 million increase in the current portion of long-term debt, offset by a $43.8 million decrease in short-term debt and a $3.8 million increase in the current portion of future taxes recoverable.

The $3.7 million decrease in cash and cash equivalents compared to the same date last year reflects a $26.2 million increase in the Company's cash on deposit (due to a USD$16 million receivable settlement received on October 29, 2004) offset by a $29.9 million decrease in the Company's consolidated share of cash held by its subsidiaries pending the settlement of trade credit obligations or the distribution of cash to the subsidiaries' shareholders. Cash distributions from the Company's principal subsidiaries (those in which the Company has at least a 50% interest) occur at regular intervals and the Company maintains an active role in all decisions affecting cash distributions from these subsidiaries.

The $63.1 million decrease in non-cash working capital resulted from a $63.6 million decrease in inventories (mainly due to lower grain values and grain shipping exceeding receipts) and a $34.1 million decrease in receivables and prepaid expenses (due to improved timing of collection on grain sales), offset by a $34.6 million decrease in accounts payable (due to the timing of crop production services purchasing). Non-CWB grain inventories decreased by $69.3 million (as a result of a late harvest and a poor quality crop that contributed to lower grain stocks in store at lower values), crop protection product inventories by $4.5 million and livestock and other inventories by $324,000, offset by a $9.5 million increase in fertilizer inventories (following the poor weather-related sales season during the most recent quarter) and a $1 million increase in seed inventory.

CAPITAL EXPENDITURES, ACQUISITIONS AND DIVESTITURES

Capital expenditures were $32.5 million for the year ended October 31, 2004 compared to $29.2 million in the same period last year. Individually large capital expenditures include $9.2 million for nine strategic grain storage expansion projects, $1.2 million for port terminal sampling systems and $4.6 million related to final construction of the replacement feed mill at Edmonton, Alberta, that officially opened August 14, 2004. The Company expects to use cash flow provided by operations to fund between $35 million and $40 million in capital expenditures in fiscal 2005, including $20.5 million for the completion of projects commenced in fiscal 2004. These capital expenditure commitments at October 31, 2004 include $7.4 million for expansion of the Carman Bean Plant, $4.4 million for the replacement of air filtration systems in Thunder Bay terminals and $2.7 million for three strategic grain storage expansion projects.



The Company acquired all of the shares of Vertech Feeds Ltd., located in Red Deer, Alberta effective February 1, 2004. The Company's purchase of the remaining 50% of the issued and outstanding shares of Prairie Mountain Agri Limited, a high throughput ("HTP") elevator and crop production centre located in Roblin, Manitoba closed May 31, 2004. The $8.3 million aggregate cash consideration paid for the shares of these companies was accounted for under the purchase method and the results of operations of the businesses are included in the consolidated financial statements from the respective dates of acquisition.

LONG-TERM DEBT

Following $26.8 million of scheduled principal repayments during the course of the year, total long-term debt of $361.2 million at October 31, 2004 consisted of $129 million of the bank term facility (maturing February 2007), $104.9 million of the term facility (due 2016), $118.5 million in term notes with a syndicate of Canadian life insurance companies (maturing between 2011 and 2023) and $8.8 million of long-term subsidiary debt. Of this total, $39.2 million is scheduled for repayment within the next 12 months. The borrowing facilities are secured by charges over all the assets of the Company and its material wholly-owned subsidiaries and by specific charges over material fixed assets.

CONVERTIBLE DEBENTURES

On November 22, 2002, the Company issued $105 million in Debentures, maturing November 30, 2007. The Debentures are convertible, at the option of the holder prior to the maturity date at a conversion price of $7.50 per share or 133.3333 Limited Voting Common Shares per $1,000 principal amount of Debentures (an aggregate of 14 million Limited Voting Common Shares assuming conversion of all of the Debentures). The Debentures may be redeemed by the Company under certain circumstances after November 30, 2005 for cash or by issuing freely tradeable Limited Voting Common Shares. As at October 31, 2004, none of the Debentures have been redeemed or converted into Limited Voting Common Shares.

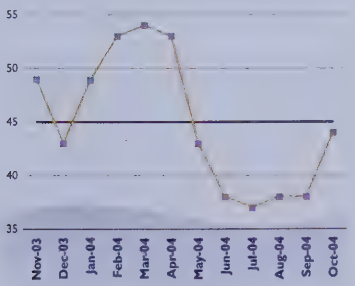
In accordance with GAAP in effect on the date of issue, $69.4 million of the Debentures was classified initially as Shareholders' Equity and $35.6 million was classified as Long-term Debt. Effective October 31, 2004, the Company adopted an accounting policy change due to revisions to CICA Handbook Section 3860 *Financial Instruments*, which requires that the Debentures no longer be accounted for and presented in the financial statements in their component parts, split between debt and equity. Although the terms and conditions of the Debentures remain unaltered, the Debentures are now required to be presented entirely as debt. The accounting policy change was adopted retroactively with a reclassification of prior period comparative information. Since the Debentures were issued in November 2002, the impact of the accounting policy change is limited to the current and prior year. The impact on the current period financial statements is to reclassify, on the balance sheet, $79.7 million (2003 – $74.9 million) from equity to long-term debt, to increase interest expense by $4.6 million (2003 – $5.2 million) and to increase income tax recovery by $1.7 million (2003 – $2 million), resulting in a net decrease in net income of $3.1 million (2003 – $3.2 million), offset by a net increase in retained earnings of $3.1 million (2003 – $3.4 million). The presentation change has no impact on the calculation of basic or diluted earnings per share for the current or prior periods. Since the Debentures in aggregate are not considered debt for bank covenant purposes, the reclassification has no impact on the Company's covenant calculations.

LEVERAGE

The Company's total funded debt (excluding the Debentures), net of cash, decreased to $443.2 million at October 31, 2004 from $510 million a year earlier due to cash flow provided by operations and the reduction in non-cash working capital noted above.

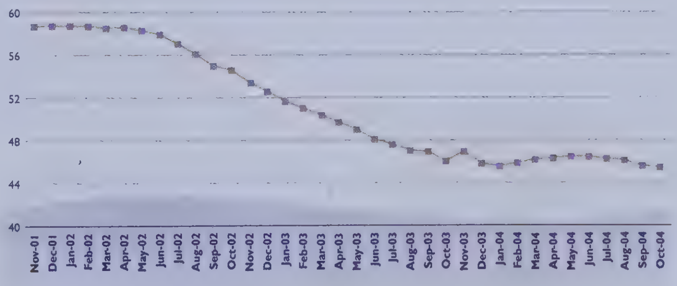
The Company's leverage ratio (net funded debt to capitalization) fluctuates materially from month-to-month due to underlying seasonal variations in working capital requirements, reflecting increased purchases of grain beginning in the fall and crop inputs inventory through the winter and early spring, all of which cannot be financed entirely with trade credit. The Company's leverage ratio typically declines to its lowest point at July 31, reflecting the Company's core non-seasonal level of working capital. Measured on a weighted-average trailing 12-month basis, the Company's leverage ratio of 45.4% for the year ended October 31, 2004 improved compared to the ratio of 46% in the previous year.

The Company's ratio of net funded debt to net tangible assets at October 31, 2004 was 46% (2003 – 49%).



Net Funded Debt to Capitalization (%)

Leverage (net debt:capitalization)
Weighted Average at October 31, 2004



Net Funded Debt to Capitalization (%)
Weighted Average – Trailing twelve months ended

SHARE CAPITAL AND RETAINED EARNINGS

Retained earnings of $18.4 million at October 31, 2004 were $20.2 million lower than at October 31, 2003 due to net losses for the fiscal year ended October 31, 2004 of $13.7 million and dividends declared of $6.5 million.

Share capital of $459.9 million at October 31, 2004 decreased by $552,000 from October 31, 2003. The Company issued 18,047 Limited Voting Common Shares from treasury, as required under its Directors' Share Compensation Plan, representing a minimum of 25% of directors' fees otherwise payable (calculated based on the Toronto Stock Exchange closing price on the last trading day at the quarter-end). The Company also issued 8,049 Limited Voting Common Shares from treasury pursuant to its Dividend Reinvestment Plan for total proceeds of $219,000. The Company cancelled 13,466 Limited Voting Common Shares with a book value of $172,000 related to shares issued pursuant to the merger with Agricore Cooperative Ltd. on November 1, 2001.

On February 22, 2004, following a one-day share consolidation program, the Company acquired for cancellation 1,527,694 Limited Voting Common Shares from registered shareholders holding less than 100 shares at a price of $9.63 per share for a total cost of $14.7 million plus transaction costs of $525,000, net of tax. The Company funded the share consolidation program by completing a private placement for 1,520,000 Limited Voting Common Shares on March 1, 2004 at a price of $9.63 per share for total proceeds of $14.6 million. Pursuant to a pre-emptive rights agreement, ADM Agri-Industries Company, a wholly-owned subsidiary of Archer Daniels Midland Company, exercised its right to purchase all of the Limited Voting Common Shares offered by the Company under the private placement.

The market capitalization of the Company's 45,327,647 issued and outstanding Limited Voting Common Shares at December 6, 2004 was $367 million or $8.10 per share compared with the Company's book value of $10.33 per share[3] ($9.68 per share fully diluted) at October 31, 2004.

The issued and outstanding Limited Voting Common Shares at December 6, 2004, together with securities convertible into Limited Voting Common Shares, are summarized in the following table.

As at December 6, 2004
(Unaudited)

Issued and outstanding Limited Voting Common Shares	**45,327,647**
Securities convertible into Limited Voting Common Shares:	
$105,000,000 – 9% convertible unsecured subordinated debentures, maturing November 30, 2007, convertible at 133.3333 share per $1,000 principal amount	**14,000,000**
1,104,475 Series "A" convertible preferred shares, non-voting, $1 dividend per share, cumulative, convertible (1:1 basis), callable at $24	**1,104,475**
Stock Options	**897,045**
	61,329,167

SELECTED ANNUAL AND QUARTERLY INFORMATION

The following factors affect the comparability of the data in the three-year summary of financial data. Changes in the data from 2003 to 2004 are explained elsewhere in this MD&A.

FISCAL 2003

In November 2002, the Company issued $105 million of Debentures, the net proceeds from which were initially used to reduce short-term debt.

In December 2002, the Company obtained from a syndicate of banks a $500 million secured credit facility, consisting of $150 million term facility as well as a $109 million 13-year secured term facility from a life insurance company, the proceeds from which were used to reduce short-term debt.

OTHER MATTERS

RELATED PARTY TRANSACTIONS

The Company transacts with related parties in the normal course of business at commercial rates and terms. The Company receives a shipper's return for grain movement through its investment in the port terminal at Prince Rupert. Benson-Quinn-GMS Inc., in which the Company has an investment, provides futures clearing and brokerage services to the Company. The Company brokers some of its insurance coverage through its partially owned subsidiary, Canadian Pool Agencies Limited, which in turn may place insurance through the Company's partially owned subsidiary, Pool Insurance Company. The Company purchases crop protection products through a member-owned purchasing cooperative, Inter-provincial Cooperative Limited, which also entitles the Company to receive patronage earnings. The Company also sells commodities to its principal shareholder Archer Daniels Midland Company and its subsidiaries and associated companies.

Total sales to non-consolidated related parties were $120.5 million for the year ended October 31, 2004

[3]Book value per share is derived by dividing the shareholders' equity at the end of the year by the total number of Limited Voting Common Shares outstanding at the end of the year as if the Series A convertible preferred shares had been converted on a 1:1 basis. The fully diluted book value per share is derived by dividing the shareholders' equity (including the Debentures and the value of executive stock options) at the end of the year by the total number of Limited Voting Common Shares outstanding at the end of the year as if the Series A convertible preferred shares, executive stock options and the Debentures had been fully converted.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

($ millions – except per share amounts)	**2004**	2003	*(unaudited)* 2002
Sales and revenue from services			
Q1	**$ 651.0**	$ 524.7	
Q2	**638.1**	518.8	
Q3	**1,146.6**	1,030.8	
Q4	**612.4**	653.9	
	$ 3,048.1	$ 2,728.2	$ 2,962.6
Net income (loss) from continuing operations			
Q1	**$ (13.6)**	$ (20.5)	
Q2	**(17.7)**	(23.9)	
Q3	**41.8**	44.2	
Q4	**(24.2)**	(18.1)	
	$ (13.7)	$ (18.3)	$ (18.5)
Basic earnings (loss) from continuing operations per share			
Q1	**$ (0.31)**	$ (0.46)	
Q2	**(0.40)**	(0.53)	
Q3	**0.92**	0.97	
Q4	**(0.54)**	(0.40)	
Annual	**$ (0.33)**	$ (0.43)	$ (0.44)
Diluted earnings (loss) from continuing operations per share			
Q1	**$ (0.31)**	$ (0.46)	
Q2	**(0.40)**	(0.53)	
Q3	**0.72**	0.75	
Q4	**(0.54)**	(0.40)	
Annual	**$ (0.33)**	$ (0.43)	$ (0.44)
Net income (loss)			
Q1	**$ (13.6)**	$ (20.2)	
Q2	**(17.7)**	(22.9)	
Q3	**41.8**	44.0	
Q4	**(24.2)**	(6.4)	
	$ (13.7)	$ (5.5)	$ (17.5)
Basic earnings (loss) per share			
Q1	**$ (0.31)**	$ (0.45)	
Q2	**(0.40)**	(0.51)	
Q3	**0.92**	0.97	
Q4	**(0.54)**	(0.15)	
Annual	**$ (0.33)**	$ (0.15)	$ (0.42)
Diluted earnings (loss) per share			
Q1	**$ (0.31)**	$ (0.45)	
Q2	**(0.40)**	(0.51)	
Q3	**0.72**	0.75	
Q4	**(0.54)**	(0.15)	
Annual	**$ (0.33)**	$ (0.15)	$ (0.42)
Total assets	**1,449.6**	1,573.5	1,605.2
Total long-term financial liabilities	**462.9**	502.5	307.2
Cash dividends declared per:			
Limited Voting Common Share	**$ 0.120**	$ 0.030	$ 0.075
Series "A" convertible preferred share	**$ 1.000**	$ 1.000	$ 1.205

(2003 – $87.4 million) and total purchases from related parties over the same period were $51.8 million (2003 – $46.9 million). As at October 31, 2004, accounts receivable from and accounts payable to related parties totaled $2.8 million (2003 – $4.4 million) and $43,000 (2003 – $256,000), respectively.

HEDGING

Effective November 1, 2003, the Company adopted CICA Accounting Guideline AcG-13 – *Hedging Relationships*. At October 31, 2004 the Company had an interest rate swap with a Canadian Schedule One chartered bank of $129 million at 6.65% (2003 – $141 million at 6.65%) that is used to hedge the floating interest rate component of the syndicated term loan and that is accounted for in accordance with this policy. The swap continues to provide an effective hedge against future interest rate changes. All other derivatives (including commodity and foreign exchange futures contracts and grain-related purchase and sale contracts) are reported in earnings on a mark-to-market basis, consistent with past practice. The adoption of this guideline had no material impact on the financial statements.

FUTURE ACCOUNTING POLICY CHANGES

The Company will adopt CICA Handbook Section 3110, *Asset Retirement Obligations* ("ARO") beginning with the quarter ending January 31, 2005. The Company will account for dismantling, removal and site restoration of certain structures on leased properties, along with the removal of leasehold improvements where required, as AROs. It is the Company's intention to address any environment-related obligations during the course of the operation of its facilities and as such, believes there will be no material environment-related obligations associated with the retirement of these facilities, with the exception of the obligation described in note 11 related to Westco. It is management's opinion that the adoption of this policy will not have a material impact on the financial statements.

In June 2003, the CICA issued Accounting Guideline AcG-15, *Consolidation of Variable Interest Entities* which would require consolidation of variable interest entities ("VIE") beginning on or after November 1, 2004. A VIE is any legal structure used

to conduct activities or hold assets which are not controlled by voting interests but rather by contractual or other interests that change with that entity's underlying net asset value. The application of the rules to specific situations is complex and the interpretation of the rules is evolving. The Company continues to assess the entities in which it has contractual and other interests to determine whether they constitute VIEs, and if so, whether the Company would be required to consolidate them. The Company currently accounts for its subsidiaries in accordance with the Company's principles of consolidation. Based on its assessment, the Company believes that its subsidiaries are either not VIEs or the adoption of AcG-15 will not result in any material change to the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP necessitates the use of management estimates, assumptions and judgement that affect reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Although management reviews its estimates on an ongoing basis, actual results may differ from these estimates as confirming events occur. The following components of the financial statements depend most heavily on such management estimates, assumptions and judgement, any changes in which may have a material impact on the Company's financial condition or results of operations.

Valuation of Long-lived Assets and Asset Impairment

Goodwill is not amortized and is assessed for impairment at the business unit level at least annually or whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. Potential goodwill impairment is identified by comparing the fair value of a business unit, estimated using discounted cash flows, to its carrying value. Should the carrying value exceed the assessed fair value of the business unit, the goodwill impairment would result in a reduction in the carrying value of goodwill on the balance sheet and the recognition of a non-cash impairment charge in the consolidated statement of earnings and retained earnings. While the Company believes that all of its estimates are reasonable, there exists inherent uncertainties that management may not be able to control. As a result, the Company is unable to reasonably quantify the changes in its overall financial performance if it had used different assumptions and it cannot predict whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported.

The Company periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying value of the asset, an impairment loss would be recognized based on the excess of the carrying value of the asset over the fair market value calculated using discounted future cash flows.

The Company's comprehensive restructuring plan to rationalize its country operations involves the expected demolition or sale of redundant locations, either closed or expected to be closed. The remaining provision for demolition and other cash costs associated with the closure of these facilities was $3.4 million at October 31, 2004 (2003 – $4.6 million). The Company's net book value of fixed assets has been written down to reflect the value of facilities expected to be sold or dismantled. A substantial change in estimated undiscounted future cash flows for the Company's assets could materially change their estimated fair values, possibly resulting in additional impairment. Changes which may impact future cash flows include, but are not limited to, competition and general economic conditions and unrecoverable increases in operating costs.

Income Taxes

Future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Future income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and future income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgement concerning the carrying values of assets and liabilities. The current and future income tax assets and liabilities are also impacted by expectations about future operating results and the timing of reversal of temporary differences as well as possible audits of tax filings by regulatory agencies. Changes or differences in these estimates or assumptions may result in changes to the current and future income tax assets and liabilities on the consolidated balance sheet and a charge to or recovery of income tax expense.

At October 31, 2004, the Company had net future income tax assets of $40.2 million (2003 – $34.2 million), comprised of net operating loss carry-forwards and other net deductible temporary differences, which can be utilized to reduce either taxable income or taxes otherwise payable in future years. At October 31, 2004, the Company had loss carry-forwards of about $315 million (2003 – $323 million) available to reduce income taxes otherwise payable in future years, with about $140 million (2003 – $187 million) expiring between October 2008 and 2010. Management regularly assesses the Company's ability to realize net future income tax assets based on all relevant information available and has concluded that it is more likely than not that these loss carry-forwards can be fully utilized prior to expiry. Accordingly, the Company has not recorded a valuation allowance related to these assets. In making its assessment, the Company considered, among other things, historical and projected future earnings. If the Company's projected future earnings do not materialize to the extent required to permit the full realization of these loss carry-forwards, the Company would record an appropriate valuation allowance in the period when such a determination is made. This would result in a decrease to reported earnings and an increase to the Company's effective tax rate in that period.

Pension and Other Post-Employment Benefits

Certain estimates and assumptions are used in determining the Company's defined benefit pension and other post-employment benefit obligations, including the discount rate, the expected long-term rate of return on plan assets and expected growth rate of health care costs. These assumptions depend on various underlying factors such as economic conditions, investment performance, employee demographics and mortality rates. These assumptions may change in the future and may result in material changes in the pension and employee benefit plans expense recorded in OG&A. Changes in financial market returns and interest rates could also result in changes to the funding requirements of the Company's defined benefit pension plans. A substantial number of the Company's employees are members of its defined contribution plans. The Company's remaining defined benefit plans cover a closed group of members and all retirees prior to the Company's conversion to defined contribution plans.

For 2004, the discount rate used for calculation of pension benefit plans was 6.0% (2003 – 6.25%) and for other future benefits was 6.25% (2003 – 6.5%). The expected long-term rate of return on plan assets for pension benefit plans for 2004 was 6.7% (2003 – 6.72%). A one percentage-point decrease in the assumed return on plan assets would increase the pension expense by $1.1 million. A one percentage-point decrease in the assumed discount rate would increase the pension expense by $579,000 and the accrued benefit obligation by $16.8 million and increase the other future benefit expense by $4,100 and the accrued other future benefit obligation by $1.2 million. A one percentage-point increase in the assumed trend in health care cost would increase interest costs by $28,000 and increase the accrued benefit obligation by $445,000. The sensitivity of each assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligations or benefit plan expenses.

Environmental Matters

The Company's other long-term liabilities include its *pro rata* share of the estimated site reclamation and decommissioning costs associated with a joint venture's fertilizer manufacturing and processing plants which discontinued operations in 1987. The period to complete the reclamation project is estimated to be about 10 years from the current date and the joint venture's management continues to believe that the reclamation provision is adequate. The Company's share of the reclamation provision was $18.1 million at October 31, 2004 (2003 – $19.2 million). The Company's other long-term liabilities at October 31, 2004 also includes a further $5 million provision (2003 – $5 million) accrued by the Company as part of its revaluation of the liabilities of Agricore Coöperative Ltd. on acquisition at November 1, 2001.

RISKS

The Company manages risk and risk exposures through a combination of insurance, derivative financial instruments, its system of internal and disclosure controls and sound operating practices.

The effect of weather conditions on farm output represents a significant operating risk to the volume of grain handled and related revenues earned at country elevators and port terminals. Weather, market prices of grain, total volume of grain production and mix of Board and non-Board grain produced in turn affect the volumes and mix of crop production input sales. The Company's elevators and crop input distribution facilities are geographically dispersed throughout the Prairie provinces, diversifying the Company's exposure to some of these risks. Agricore United also contracted for grain volume insurance covering the crop years ending July 31, 2004 to 2006 which provides a substantial amount of protection against revenue losses due to unusually low grain handling volumes.

The Company employs a number of other insuring and retention arrangements to actively manage its property, business interruption, boiler, marine, liability, fidelity, environmental, surety, employee accident and automobile risks and balance the overall, long-term cost with long-term economic benefit.

Exposure to inventory losses is managed through a variety of quality control processes, inventory management and shipping practices, ongoing staff training, and facilities management and maintenance. The Company complies with environmental regulations and uses special storage facilities and transportation methods to manage exposures from certain environmental hazards associated with the storage and handling of fertilizers and crop protection products.

To address consumer awareness and concern over food safety and "traceability", Agricore United has established a number of processes to track and identify crops at every stage of production from seed to customer delivery to meet international standards, including HACCP – the internationally recognized system of quality control for food safety – and ISO 9000 certification for the processing and export of grains, oilseeds and special crops. ISO 9001:2000 registration and HACCP compliance are verified by third-party audits. As at October 31, 2004, five of the Company's port terminals are registered to ISO 9001:2000 and HACCP compliant. The Company's country network includes 47 HTP elevators and two specialty plants, which are registered ISO 9001:2000 and HACCP compliant, with the remaining three HTPs and joint ventures, 28 conventional elevators and two specialty plants progressing towards registration. Agricore United's eight feed mills and two pre-mix facilities are HACCP certified or compliant.

Agricore United uses derivative financial instruments to manage market risks resulting from fluctuations in underlying interest rates, foreign exchange rates and commodity prices. Fundamentally, Agricore United attempts to mitigate risk wherever possible. Where available, derivative instruments are effective in minimizing these risks by creating essentially equal and offsetting market exposures. The derivative financial instruments held by Agricore United are principally held for purposes other than derivatives trading. If Agricore United did not use financial instruments, its exposure to market risk would be greater.

RISK MANAGEMENT

The Company's Corporate Risk Management Committee (consisting of the Chief Executive Officer, Chief Financial Officer and a number of senior managers of the Company) is responsible for identifying the risks faced by the Company, determining the materiality of those risks and reporting to the Risk Review Committee of the Board of Directors on the appropriate policies implemented to reasonably contain those risks which can be managed. The Corporate Risk Management Committee also provides direction to management on risk management strategies, the use of risk management products, specific exposure limits and approved counterparties. In addition, it determines that responsibility for specific risks is clearly delegated and that there are appropriate internal controls and monitoring systems to ensure that defined policies and procedures are adhered to.

MARKET RISK

A significant source of the Company's revenue is earned by Grain Handling. Earnings in this segment of the business fluctuate in relation to the volume of grain handled and the margin earned on merchandising open market (non-CWB) grains. In the case of Board grains, the Company earns storage and handling tariffs from the CWB, which are established independently of the market price for the grain. Board grains represented 56% of total grain handled by Agricore United in fiscal 2004 (2003 – 57%).

Since a significant portion of the Company's off-shore transactions are denominated and priced in U.S. dollars, the Company is not directly exposed to volatility in export sales as a result of underlying changes in the relationship between the Canadian dollar and other foreign currencies. The Company may be indirectly affected to the extent that farmer customers are adversely impacted by changes in the underlying exchange value of the Canadian dollar that, over a sustained period, are not compensated for by a corresponding change in input costs (i.e. changes in costs of fuel, crop inputs, etc.).

The Company utilizes exchange traded futures contracts wherever possible to manage the exposure associated with fluctuations in the cash price of non-Board grains. In so doing, the Company assumes a basis risk to the extent that the two do not change by directly equivalent amounts. Where exchange traded futures for a particular commodity are not available or where the liquidity of a particular exchange traded future is volatile, Agricore United develops crosshedges using futures contracts for similar or related products. While the utilization of such hedges reduces exposure to price risk, exposure to basis risk increases, although not proportionately. The Company retains any remaining commodity risks. The Company also employs forward sales contracts to hedge prices for the sale of grain, forages and special crops, forward purchase contracts to fix the costs of supply of livestock feed inputs and prepaid purchases of crop production inputs with future delivery dates. The costs associated with these instruments are included in the cost of sales for the affected business segment.

FOREIGN EXCHANGE RISK

As a significant portion of the Company's net revenues are effectively denominated in U.S. dollars, the Company uses forward exchange contracts and options to hedge this exposure. The costs associated with these hedging activities are included in the cost of sales of the affected business segment.

INTEREST RATE RISK

To mitigate interest rate risk, the floating interest rate on the Company's $129 million term loan has been fixed through an interest rate swap with a Canadian chartered bank at an average rate of 6.65% for the term of the loan. The Company also manages the interest rate risk on its short-term borrowings by using a combination of cash instruments, futures, options and forward rate agreements. The cost of the interest rate swap as well as the other instruments is included in interest and securitization expenses.

CREDIT RISK

Its counterparties expose Agricore United to credit risk in the event of non-performance. However, in the case of over-the-counter derivative contracts, the Company only contracts with pre-authorized counterparties where agreements are in place. Agricore United monitors the credit ratings of its counterparties on an ongoing basis. No provision has been made in respect of credit losses on derivative contracts, as Agricore United does not anticipate any non-performance. The Company also requires additional collateral in the form of letters of credit or cash deposits where large grain sale contracts with a particular customer potentially involve concentration of risk.

Exchange traded futures contracts used to hedge future revenues in the Company's grain business are not subject to any significant credit risk as the changes in contract positions are settled daily.

Agricore United manages its exposure to potential credit risk in respect of trade receivable contracts through a rigorous analysis of outstanding positions, payment and loss history and ongoing credit reviews of all significant contracts. The absence of significant financial concentration of such receivables limits its exposure to credit risk. Under Agricore United Financial and Unifeed Financial, the Company has limited its exposure to credit risk by limiting the financial institution's recourse against the Company for indemnification of losses incurred on certain accounts receivable.

OUTLOOK

On December 8, 2004, Statistics Canada estimated western Canadian production of the major grains of about 51 million tonnes for the 2004 Crop Year. This represents a 6% increase over the ten-year average of 48.2 million tonnes and a 12% increase over 2003 production, although the quality of the western Canada crop is below normal with a smaller percentage of each crop falling into the top grades. The grain handling industry typically ships about 67% of the grain produced during the most recent Crop Year over the course of the subsequent 12 months.

Precipitation levels across western Canada in 2004 were well distributed and average to above average – a preliminary indicator of normal growing conditions in the 2005 season. With the exception of the more arid areas of southeastern Alberta and southwestern Saskatchewan, subsoil moisture levels at October 24, 2004 were between 80% and 100% of capacity across western Canada's arable land. A normal growing season, however, remains dependent on receiving timely precipitation and normal heat units (or "growing degree days") during 2005 (commencing about April 1).

The above average crop growth that occurred during 2004 significantly reduced soil nutrient levels and, coupled with the below average fall fertilizer application season this past year, should contribute to at least normal, if not increased, demand for crop nutrients during fiscal 2005, absent other offsetting weather factors. The poor weather conditions in 2004 also limited the application of crop protection products, which should increase demand for herbicides in 2005. In the case of seed, customers have already fully subscribed for a number of the certified varieties the Company has available for 2005.

The livestock industry's outlook for 2005 also appears to be improving. Additional markets such as Hong Kong have recently opened their borders to Canadian beef, previously closed due to the discovery of a single case of BSE in Alberta in May 2003. The United States is also considering regulations which would define the terms of admission for Canadian live cattle into the U.S. market as early as the spring of 2005. Canadian livestock and poultry producers are currently benefiting from reduced feed costs due to large feed grain supplies in Canada. The feed industry and Company have not yet realized the full benefit of recent rationalization of several less efficient feed manufacturers brought about by the market pressures on the industry.

The collection of AU Financial accounts due on October 31, 2004 increased to 93% of outstanding balances compared to 88% last year. As at December 6, 2004, the Company had already pre-approved 19,500 customers for $615 million in credit for the 2005 growing season compared to 18,900 customers for $587 million last year. The Company continues to expand the credit advanced under Unifeed Financial as eligible customers previously financed directly by the Company complete the marketing of their current livestock. The Company also anticipates expanding its base of credit-worthy customers accessing trade credit through Unifeed Financial.

The Company has engaged a third party to assist in the marketing and sale of one of its Vancouver grain terminals pursuant to a consent agreement with the Commissioner of Competition. The proceeds of such a sale may be utilized for general corporate purposes, including the non-scheduled repayment of debt or sustaining capital reinvestment. The sale is not expected to have a material impact on the Company's results from continuing operations.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's 2004 Annual Information Form, is available on SEDAR at www.sedar.com.

Certain statements in this report may constitute forward-looking statements. The results or events predicted in these statements may differ materially from actual results or events. These forward-looking statements can generally be identified by the use of statements that include phrases such as "believe", "expect", "anticipate", "intend", "plan", "likely", "will" or similar words or phrases. Similarly, statements that describe the Company's objectives, plans or goals are or may be forward-looking statements.

These forward-looking statements are based on the Company's current expectations and its projections about future events. However, whether actual results and developments will conform with the Company's expectations and projections is subject to a number of risks and uncertainties, including, among other things, the risks and uncertainties described above under "Risks" and the risk factors described in the Company's Annual Information Form for the fiscal year ended October 31, 2004 under the heading "Risk Factors". These are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of the Company's forward-looking statements. Other known and unpredictable factors could also harm its results. Consequently, there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of United Grain Growers Limited, carrying on business as Agricore United, is responsible for the preparation and presentation of the accompanying financial statements and all of the information contained in this annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles which recognize the necessity of relying on management's judgement and best estimates. Financial information contained throughout this annual report is consistent with these financial statements.

To fulfill its responsibility and ensure integrity of financial reporting, management maintains a system of internal accounting controls and an internal audit department to review systems and controls on a regular basis. These controls, which include a comprehensive planning system and timely reporting of periodic financial information, are designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the accurate preparation of financial statements.

Final responsibility for the financial statements and their presentation to shareholders rests with the Board of Directors. The Audit Committee of the Board of Directors, consisting of non-management directors, oversees management's preparation of financial statements and financial control of operations. The Audit Committee meets separately with management, the Company's internal auditors and the Company's independent auditors, PricewaterhouseCoopers LLP, to review the financial statements and recommend approval by the Board of Directors.

Brian Hayward,
Chief Executive Officer

Peter G. M. Cox,
Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF UNITED GRAIN GROWERS LIMITED, CARRYING ON BUSINESS AS AGRICORE UNITED:

We have examined the consolidated balance sheets of United Grain Growers Limited as at October 31, 2004 and 2003 and the consolidated statements of earnings and retained earnings and consolidated statements of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2004 and 2003 and the results of its operations and the changes in its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants
Winnipeg, Canada
December 8, 2004

CONSOLIDATED
BALANCE SHEETS

As at October 31 *(in thousands)*		2004		2003
ASSETS				
Current Assets				
Cash and cash equivalents	$	**50,214**	$	53,919
Accounts receivable (note 4)		**185,232**		218,880
Inventories (note 5)		**383,914**		447,508
Prepaid expenses		**19,888**		20,302
Future income taxes (note 17)		**6,801**		2,903
		646,049		743,512
Property, Plant and Equipment (note 6)		**664,396**		688,896
Other Assets (note 7)		**53,456**		62,139
Goodwill (note 22)		**28,903**		26,389
Intangible Assets (note 22)		**16,502**		16,502
Future Income Taxes (note 17)		**40,316**		36,063
	$	**1,449,622**	$	1,573,501
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Bank and other loans (note 8)	$	**132,121**	$	175,947
Accounts payable and accrued expenses		**326,706**		361,272
Dividends payable		**2,464**		2,464
Current portion of long-term debt (note 9)		**39,189**		26,774
Future income taxes (note 17)		**345**		259
		500,825		566,716
Long-term Debt (note 9)		**322,065**		361,225
Convertible Debentures (note 10)		**105,000**		105,000
Other Long-term Liabilities (note 11)		**35,814**		36,246
Future Income Taxes (note 17)		**6,527**		4,515
Shareholders' Equity				
Share capital (note 12)		**459,957**		460,509
Contributed surplus (note 13)		**1,044**		642
Retained earnings		**18,390**		38,648
		479,391		499,799
	$	**1,449,622**	$	1,573,501

Approved by the Board

Wayne W. Drul,
Director

Terry Youzwa,
Director

CONSOLIDATED
STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the years ended October 31 *(in thousands, except per share amounts)*	2004	2003
Sales and revenue from services (note 22)	$ 3,048,135	$ 2,726,631
Gross profit and net revenue from services (note 22)	428,497	410,454
Operating, general and administrative expenses (note 22)	(329,912)	(309,923)
Earnings before the undernoted (note 22)	98,585	100,531
Depreciation and amortization (note 22)	(65,211)	(72,600)
	33,374	27,931
Gain (loss) on disposal of assets	(289)	1,548
Interest and securitization expenses (note 16)	(52,144)	(53,660)
	(19,059)	(24,181)
Recovery of income taxes (note 17)	5,342	5,927
Net loss from continuing operations	(13,717)	(18,254)
Discontinued operations – net of income taxes (note 24)	—	12,708
Net loss for the year	(13,717)	(5,546)
Retained earnings, beginning of year, as previously reported	38,410	46,658
Accounting policy change (note 25)	238	—
Retained earnings, beginning of year, as adjusted	38,648	46,658
Dividends	(6,541)	(2,464)
Retained earnings, end of year	$ 18,390	$ 38,648
Basic and diluted loss from continuing operations per share (note 2)	$ (0.33)	$ (0.43)
Basic and diluted loss per share (note 2)	$ (0.33)	$ (0.15)

CONSOLIDATED
STATEMENTS OF CASH FLOWS

For the years ended October 31 *(in thousands)*	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (13,717)	$ (5,546)
Adjustments for:		
Depreciation and amortization	65,211	72,600
Employee future benefits	2,572	(1,101)
Future income taxes	(7,281)	(1,308)
Equity earnings from investments, net of distributions	(833)	(127)
Stock-based compensation (note 13)	402	306
Discontinued operations, non-cash items	—	(14,872)
Loss (gain) on disposal of assets	289	(1,548)
Other long-term liabilities	294	—
Cash flow provided by operations	46,937	48,404
Changes in non-cash working capital	67,485	18,295
	114,422	66,699
CASH FLOWS FROM INVESTING ACTIVITIES		
Business acquisitions, net of cash acquired (note 3)	(8,325)	—
Realignment of ownership interest (note 1)	—	(8,229)
Proceeds from disposal of business segment (note 24)	—	12,200
Property, plant and equipment expenditures	(32,473)	(29,176)
Proceeds from disposal of property, plant and equipment	4,609	9,774
Decrease (increase) in other assets	861	(1,967)
	(35,328)	(17,398)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in bank and other loans	(44,306)	(212,775)
Proceeds from long-term debt	53	109,000
Long-term debt repayments	(26,798)	(18,160)
Proceeds from convertible debentures	—	105,000
Deferred financing expenditures	(3,229)	(10,367)
Decrease in other long-term liabilities	(1,156)	(2,626)
Share capital issued (redeemed)	(27)	157
Share redemption costs	(795)	—
Dividends	(6,541)	(4,728)
	(82,799)	(34,499)
Net increase (decrease) in cash and cash equivalents	(3,705)	14,802
Cash and cash equivalents, beginning of year	53,919	39,117
Cash and cash equivalents, end of year	$ 50,214	$ 53,919
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments of interest	$ (52,123)	$ (48,313)
Cash payments of taxes	$ (8,160)	$ (1,916)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Agricore United ("the Company") are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

USE OF ESTIMATES

The timely preparation of financial statements in accordance with GAAP necessitates the use of management estimates, assumptions and judgement that affect reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies. Actual results may differ as confirming events occur.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company, its subsidiaries and its proportionate share of the accounts of significant joint ventures. The Company's interest in its joint ventures is recognized using the proportionate consolidation method at rates that approximate either the Company's ownership interest in, or the volume of business with, the respective joint venture.

Subsidiaries	Ownership Interest
Demeter (1993) Inc.	100%
Pacific Elevators Limited	100%
Western Pool Terminals Ltd.	100%
Unifeed Limited and its wholly-owned subsidiaries	100%
XCAN Grain Ltd. and its wholly-owned subsidiaries	100%

Joint Ventures	Ownership Interest
Alberta Industrial Mustard Company Limited	50%
Cascadia Terminal	50%
CMI Terminal Joint Venture	50%
Gardiner Dam Terminal Joint Venture	50%
Lloydminster Joint Venture	50%
Western Co-operative Fertilizers Limited*	57%

** Prior to July 1, 2003, Western Co-operative Fertilizers Limited ("Westco"), was recognized using the proportionate consolidation method at a rate of 66.67%, representing the Company's ownership interest in Westco's Co-op shares and Class A and C common shares. Effective July 1, 2003, the Company agreed to realign its co-operative equity interest with Westco's other venturer based on each party's historical contributed and retained capital with Westco, which in the Company's case was 57%. Accordingly, the adjustment to the Company's proportionate share of Westco's assets and liabilities included an $8.2 million reduction in the Company's entitlement to undistributed cash of Westco as at July 1, 2003. Since the factors governing joint control by the venturers remain unchanged, the Company continues to account for its interest in Westco as a joint venture using the proportionate consolidation method.*

REVENUE RECOGNITION

Revenue from the sale of commodities is recognized upon shipment to the customer from country elevator or port terminal. Revenue from the sale of crop input products and livestock feed is recognized upon shipment to the customer. Service-related revenue, which includes tariff-based revenue for handling Canadian Wheat Board ("CWB") grain, is recognized upon performance of the service.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term investments with less than three months to maturity as well as funds on deposit within jointly held enterprises which may not be immediately available to the Company.

ACCOUNTS RECEIVABLE

Accounts receivable includes advances to producers arising from the purchase of grain for the account of the CWB, in accordance with the terms of a handling agreement between the parties, which are valued on the basis of CWB initial prices less handling costs.

INVENTORIES

Grain inventories include both hedged and non-hedged commodities. Hedgeable grain inventories are valued based on the closing market quotations less execution costs. Non-hedgeable grains are valued at the lower of cost or market. Farm supply, seed, feed and livestock inventories are valued at the lower of cost or net realizable value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, which includes interest incurred on major construction projects, reduced by investment tax credits claimed. The Company uses a combination of straight-line and diminishing balance methods of providing depreciation over the estimated useful lives of the assets.

Country elevator, feedmill and warehouse properties and equipment	4% to 20% diminishing balance; and 5 to 25 years straight-line
Concrete high throughput elevator properties and equipment	15 to 50 years straight-line
Terminal elevator properties and equipment	5% to 20% diminishing balance; and 5 to 50 years straight-line
Specified computer equipment	3 to 5 years straight-line
Other equipment, furniture and fixtures	6% to 30% diminishing balance; and 5 years straight-line

OTHER ASSETS

DEFERRED CHARGES – System development costs related to developing or upgrading identifiable software products are deferred and amortized on a straight-line basis over a three-year period. Varietal development costs incurred under agreements for the development of proprietary seed varieties are deferred and amortized on a straight-line basis over a four-year period. Pension costs, representing the aggregate surplus of the Company's pension plans plus unamortized transitional amounts and actuarial net losses, are accounted for as described under Employee Future Benefits. Financing costs related to securing and maintaining credit facilities are deferred and amortized over the term of the facility.

TRADE INVESTMENTS – Trade investments primarily include the Company's non-controlling interests in The Puratone Corporation, Canadian Pool Agencies Limited, Pool Insurance Company and Benson-Quinn-GMS Inc., which are accounted for using the equity method. The Company's non-controlling interest in Prince Rupert Grain Terminal is recorded at nominal value. All other trade investments are recorded at cost.

GOODWILL

Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired. The Company assesses annually whether there has been a permanent impairment in the carrying value of goodwill based on the fair value of the related business operations. Should the carrying amount of the goodwill exceed its fair value, an impairment loss would be recognized at that time.

INTANGIBLE ASSETS

Intangible assets consist primarily of supply contracts with indefinite useful lives. Indefinite life intangibles are not amortized but are tested for impairment at least annually. Should the carrying amount of the intangible asset exceed its fair value, an impairment loss would be recognized at that time.

INCOME TAXES

Income taxes are provided for using the asset and liability method of accounting. Under this method, future income taxes are recognized for temporary differences between the accounting and tax bases of the Company's assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the year the change occurs. A valuation allowance would be provided to the extent that it is more likely than not that future income tax assets will not be realized.

STOCK-BASED COMPENSATION

EXECUTIVE STOCK OPTION PLAN – The fair value of the award at the time of granting is recognized as compensation expense over the vesting period with an offsetting amount recorded to contributed surplus.

RESTRICTED STOCK UNIT PLAN – The Company's obligation under the plan is recognized as compensation expense over the vesting periods based on time and performance expectations and the quoted market value of the Company's shares at the measurement dates with an offsetting amount recorded to liabilities.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the Company to reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and commodity prices. In the normal course, the Company does not hold or issue derivative financial instruments for derivative trading purposes. Any derivative that does not qualify for hedge accounting is reported in earnings on a mark-to-market basis.

INTEREST RATE SWAP CONTRACTS – The Company has an interest rate swap that is accounted for in accordance with hedge accounting (note 25) and as such, the swap is documented and subjected to an effectiveness test on a quarterly basis for reasonable assurance that it is and will continue to be effective. Differentials to be received or paid under these contracts are recognized in income over the life of the contracts as adjustments to interest expense. Gains and losses on contract termination are deferred and amortized to income over the life of the contract or the related debt, whichever is earlier.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate while non-monetary assets, liabilities, revenues and expenses are translated at the rate of exchange prevailing at the transaction date. All exchange gains and losses are reflected in earnings during the year in which they occurred.

EMPLOYEE FUTURE BENEFITS

The Company maintains both defined benefit and defined contribution pension plans for employees and is also a member of a multi-employer defined benefit pension plan. Additionally, the Company provides other post-employment benefits, largely in respect of extended health and dental plans and life insurance, to eligible employees upon retirement. The cost of all future benefits is accrued in the year in which the employee services are rendered, based on actuarial valuations, with the exception of a foreign wholly-owned subsidiary which determines its obligation based on the amount that would be required to be paid under the plan if all eligible employees and directors voluntarily terminated their employment as of the balance sheet date.

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method pro rated on service, which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. For the purpose of calculating the expected return on plan assets, those assets are reflected at fair value.

Any excess net actuarial gains or losses over 10% of the greater of the accrued benefit obligation and the fair value of plan assets are being amortized over the average remaining service period ("ARSP") of active employees expected to receive benefits under the benefit plan.

The multi-employer defined benefit pension plan is accounted for as a defined contribution plan.

2. EARNINGS PER SHARE

For the years ended October 31
(in thousands, except per share amounts)

	2004			2003		
	Amount	Shares	Per share	Amount	Shares	Per share
Net loss	$ (13,717)			$ (5,546)		
Less: Preferred share dividend	(1,105)			(1,105)		
Basic & diluted loss per share	$ (14,822)	45,278	$ (0.33)	$ (6,651)	45,299	$ (0.15)
Less: Earnings from discontinued operations – net of income taxes	—		—	(12,708)		(0.28)
Basic & diluted loss from continuing operations per share	$ (14,822)	45,278	$ (0.33)	$ (19,359)	45,299	$ (0.43)

Basic loss per share is derived by deducting annual dividends on preferred shares from the net loss for the year and dividing this total by the weighted-average number of Limited Voting Common Shares outstanding for the year. The effect of potentially dilutive securities (convertible unsecured subordinated debentures and preferred shares) was not included in the calculation of diluted loss per share for the years ended October 31, 2004 and 2003 as the result would be anti-dilutive. In addition, executive stock options have been excluded from the calculation of diluted loss per share as the exercise price exceeds the average trading value of the shares in the respective years.

3. BUSINESS ACQUISITIONS

Effective February 1, 2004, the Company purchased, through its wholly-owned subsidiary Unifeed Limited, 100% of the issued and outstanding shares of Vertech Feeds Ltd., a livestock feed manufacturer in Red Deer, Alberta. Vertech Feeds Ltd. was dissolved effective November 1, 2004 and its operations were wound up into Unifeed Limited.

The Company purchased the remaining 50% of issued and outstanding shares of Prairie Mountain Agri Limited, a high throughput grain terminal and crop production centre located in Roblin, Manitoba. The transaction closed on May 31, 2004, Prairie Mountain Agri Limited was dissolved effective June 1, 2004 and its operations wound up into the Company.

On October 21, 2002, the Company entered into a binding letter agreement to acquire the remaining 30% ownership of Western Pool Terminals Ltd. and Pacific Elevators Limited.

These acquisitions were accounted for using the purchase method and the results of operations of these businesses are included in the consolidated financial statements from the respective dates of acquisition.

For the years ended October 31
(in thousands)

	2004	2003
Net assets acquired:		
Current assets	$ 3,881	$ 668
Property, plant & equipment	3,382	6,296
Goodwill*	4,801	—
Current liabilities	(1,408)	(6,964)
Long-term liabilities	(782)	—
	9,874	—
Less: cash acquired	(1,549)	—
Net cash consideration	$ 8,325	$ —

** Virtually none of the goodwill is considered deductible for income tax purposes.*

4. ACCOUNTS RECEIVABLE

The following table presents the percentage of total customer balances receivable by business segment:

As at October 31	2004	2003
Grain Handling	43%	37%
Crop Production Services	17%	29%
Livestock Services	28%	21%
Other	12%	13%

SECURITIZATION AGREEMENT

Under a securitization agreement with an independent trust, the Company can sell on an unlimited basis an undivided co-ownership interest in its right to receive reimbursements of amounts advanced to producers arising from the delivery of grains that are held in accordance with the grain handling contract between the Company and the CWB. The Company receives proceeds equal to the fair value of the assets sold and retains rights to future cash flows arising from future performance of grain handling on behalf of the CWB after the investors in the trust have received the return for which they contracted. The trust has limited recourse to the Company's future grain handling receipts and no recourse to the Company's other assets. Either party may cancel the securitization agreement on 60 days' notice. The Company is responsible for fulfilling its obligations under the grain handling agreement entered into with the CWB and retains servicing responsibilities in respect of CWB grain.

Under the terms of the grain handling contract, the Company is guaranteed a reimbursement of amounts advanced to the producers on behalf of the CWB upon deliveries of CWB grain. The Government of Canada secures this guarantee and therefore no credit losses are expected with respect to these assets. In addition, since the weighted-average life of the receivable is only a matter of days, the discount factor is not expected to be a significant element in the computation of fair value. Consequently, the Company has determined the fair value measurement of this

asset to be the same as its carrying value and has concluded that any sensitivity analysis regarding key assumptions used in such valuation would not result in any significant change in valuation.

At October 31, 2004, amounts advanced to producers on behalf of the CWB are reported net of securitized amounts of $28.7 million (2003 – $43 million). The following table summarizes certain cash flows related to the transfer of receivables during the year:

As at October 31
(in thousands)

	2004	2003
Proceeds from new securitizations	$ 22,400	$ 47,000
Proceeds from collections reinvested (not reinvested)	6,338	(4,020)
Securitized amount	$ 28,738	$ 42,980

The net cost of these transactions is included in interest and securitization expenses in the Consolidated Statements of Earnings and Retained Earnings.

AGRICORE UNITED FINANCIAL

The Company has a rolling five-year agreement with a Canadian Schedule One chartered bank to provide credit for qualifying agricultural producers to purchase crop inputs. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. The Company indemnifies the bank for a portion of future losses (note 18).

UNIFEED FINANCIAL

Commencing December 23, 2003, the Company entered into a rolling five-year agreement with a Canadian Schedule One chartered bank to provide loans to customers to purchase feeder cattle and feeder hogs, as well as related feed inputs, with terms that do not require payment until the livestock is sold. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. The Company indemnifies the bank for a portion of future losses (note 18).

5. INVENTORIES

As at October 31
(in thousands)

	2004	2003
Grain	$ 137,285	$ 206,571
Crop inputs	230,901	224,885
Feed and livestock	12,148	11,903
Other merchandise	3,580	4,149
	$ 383,914	$ 447,508

6. PROPERTY, PLANT AND EQUIPMENT

As at October 31
(in thousands)

	2004		2003	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Country elevator, feed mill and warehouse properties and equipment	$ 780,567	$ 322,845	$ 790,396	$ 335,308
Terminal elevator properties and equipment	286,655	173,017	276,622	166,799
Other equipment	358,376	273,382	364,031	266,190
Construction in progress	8,042	—	26,144	—
	$ 1,433,640	$ 769,244	$ 1,457,193	$ 768,297
Net book value	$ 664,396		$ 688,896	

The Company capitalized $912,000 (2003 – $687,000) in interest related to major capital expenditures.

The Company ceased to operate one of its three port terminals in Thunder Bay, Ontario, and consolidated its operations into the two remaining wholly-owned port terminals. Additionally, with the opening of its new replacement livestock feed mill in Strathcona County, Alberta, the Company closed and demolished its existing feed mill in Edmonton. The closure of these facilities is not expected to have a material impact on the ongoing operation of the Company's Grain Handling and Livestock Services business segments.

7. OTHER ASSETS

As at October 31
(in thousands)

	2004	2003
Deferred charges:		
System development costs	$ 3,683	$ 4,680
Varietal development costs	3,390	3,990
Pension costs (note 14)	14,247	16,388
Financing and other costs	10,110	9,923
Trade investments*	22,026	27,158
	$ 53,456	$ 62,139

*Trade investments include the Company's $2.5 million investment in Benson-Quinn-GMS Inc. which was sold November 15, 2004.

8. BANK AND OTHER LOANS

As at October 31
(in thousands)

	2004	2003
Bank loans	$ 109,000	$ 151,000
Member and employee loans	23,121	23,748
Other	—	1,199
	$ 132,121	$ 175,947

The Company has a $375 million revolving credit facility with a syndicate of banks, at prime interest rate plus up to 2% (subject to the Company's fixed charge ratio), expiring February 28, 2005. The revolving facility, which also provides a $50 million seasonal increase in the facility between November 1 and April 30, may be drawn to the lesser of the facility limit or a margin based on qualifying receivables and inventories. This facility is secured by a first floating charge over receivables and inventory and a second fixed charge over all other assets of the Company and its material wholly-owned subsidiaries.

In addition, a wholly-owned subsidiary has an undrawn $11.5 million (2003 – $26 million) revolving credit facility at 0.85% (2003 – 0.60%) over LIBOR (London Interbank Money Market Offer Rate) that matures on January 31, 2005, secured by a guarantee from the Company (note 18).

Loans from members and employees are unsecured, repayable on demand and bear interest at rates varying from 2.5% to 5.5%.

9. LONG-TERM DEBT

As at October 31
(in thousands)

	2004	2003
Syndicated Term Loan	$ 129,000	$ 141,000
Term Notes	104,913	109,000
Series A Notes	49,769	56,879
Series B Notes	21,237	21,237
Cascadia Series B Notes	47,500	50,000
Other long-term debt	8,835	9,883
	361,254	387,999
Less: current portion	39,189	26,774
	$ 322,065	$ 361,225

The fair value of long-term debt approximates its carrying amount. The Syndicated Term Loan, Term Notes, Series A Notes and Series B Notes are secured, pari passu, by specific charges over material fixed assets and a floating charge over all other assets of the Company and its material wholly-owned subsidiaries.

SYNDICATED TERM LOAN

A term facility with a syndicate of banks at prime interest rate, plus 0.5% to 2.5% (subject to the Company's fixed charge ratio), is repayable in quarterly installments of $5.75 million between November 2004 and August 2007 with the balance due on November 30, 2007. The variable prime rate has been fixed through a swap arrangement.

An interest rate swap of $129 million at 6.65% (2003 – $141 million at 6.65%) with a Schedule One chartered bank is used to hedge the floating interest rate component of the Syndicated Term Loan. The fair value of the interest rate swap obligation is $8.6 million at October 31, 2004 (2003 – $11.5 million).

TERM NOTES

A term facility with a U.S. based life insurance company at a fixed rate of 9.67% is repayable in monthly installments of $454,000 to January 2009 and $973,000 per month from February 2009 to maturity in January 2016.

SERIES A AND B NOTES

Series A Notes with a syndicate of Canadian life insurance companies at a fixed rate of 10.25% (2003 – 10.25%) are repayable in equal annual installments of $7.1 million in December to maturity in 2010. The Series B Notes with a syndicate of Canadian life insurance companies at a fixed rate of 10.8% (2003 – 10.8%) are repayable in equal annual installments of $2.1 million in December from 2011 to 2020.

CASCADIA SERIES B NOTES

The Notes with a syndicate of Canadian life insurance companies are collateralized by a first fixed and specific mortgage on the Cascadia Terminal as well as a pledge and charge on all leasehold land and interests. The Notes carry a fixed rate of 6.98% (2003 – 6.98%) repayable in equal annual installments of $2.5 million to 2023.

OTHER LONG-TERM DEBT

Other long-term debt held by subsidiaries is repayable within 10 years.

The following summarizes the aggregate amount of scheduled repayments of long-term debt in each of the next five years:

For the years ending October 31
(in thousands)

2005	$ 39,189
2006	39,174
2007	42,958
2008	75,339
2009	19,961

10. CONVERTIBLE DEBENTURES

The Company issued $105 million of 9% convertible unsecured subordinated debentures (the "Debentures") on November 27, 2002, maturing November 30, 2007, with interest payable semi-annually on May 31 and November 30. The fair value of the Debentures approximates its carrying amount. The Debentures are convertible, at the option of the holder, at any time prior to the maturity date at a conversion price of $7.50 per share or 133.3333 Limited Voting Common Shares per $1,000 principal amount of Debentures. The Debentures may not be redeemed by the Company prior to December 1, 2005. On or after December 1, 2005, and prior to December 1, 2006, the Debentures may be redeemed by the Company in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume weighted-average trading price of the

Limited Voting Common Shares on the Toronto Stock Exchange ("TSX") for at least 20 trading days in any consecutive 30-day period ending on the fifth trading day prior to the date on which notice of redemption is given exceeds 125% of the conversion price. On or after December 1, 2006, the Debentures may be redeemed by the Company at any time at a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Company may, at its option and subject to regulatory approval, elect to satisfy its obligation to repay the principal amount of the Debentures which are to be redeemed or which have matured by issuing to the holders of the Debentures, for each $1,000 principal amount of Debentures, that number of freely tradable Limited Voting Common Shares obtained by dividing such principal amount by 95% of the Current Market Price. Current Market Price means an amount equal to the volume weighted-average trading price of the Limited Voting Common Shares on the TSX for 20 consecutive trading days ending on the fifth trading day preceding the date of determination.

On October 31, 2004, the Company adopted an accounting policy change due to revisions to CICA Handbook Section 3860, *Financial Instruments* which requires that the Debentures no longer be accounted for and presented in the financial statements in their component parts. Although the terms and conditions of the Debentures remain unchanged, the Debentures are now presented entirely as debt. The change has been accounted for retroactively with a reclassification of prior year comparatives (note 25).

11. OTHER LONG-TERM LIABILITIES

As at October 31 *(in thousands)*	2004	2003
Post-employment benefits other than pension (note 14)	$ 11,796	$ 11,366
Reclamation provision	18,096	19,244
Other liabilities	5,922	5,636
	$ 35,814	$ 36,246

Westco, a joint venture of the Company in which it holds a 57% interest, discontinued manufacturing fertilizer at its two processing plants in 1987. Subsequent to the closures, Westco retained an independent consultant who estimated the site reclamation and decommissioning costs to be between $44 million and $61.5 million. In 2000, with the help of various consultants, Westco developed conceptual reclamation plans for its former production facilities based on site assessments, environmental risk data and current technology available. As at October 31, 2004, Westco has expended $19 million (2003 – $17 million) in reclamation costs out of an original provision of $51 million. The reclamation plans are designed to meet current regulatory requirements. The Company provides no guarantee for the obligations of Westco. The reclamation provision represents the Company's *pro rata* share of the outstanding estimated costs.

Other liabilities include a provision of $5 million (2003 – $5 million) accrued by the Company as part of its revaluation of the liabilities of Agricore Ltd. on acquisition.

12. SHARE CAPITAL

The Company is governed by the United Grain Growers Act, a special act of the Parliament of Canada, under which it has both members and shareholders. Members are customers of the Company and are entitled to elect 12 directors, who must be members of the Company. The Company's Limited Voting Common Shareholders are entitled to elect three directors, who cannot be members. Members who are not shareholders are not entitled to participate in any profit or distribution of the Company.

The authorized, issued and outstanding shares of the Company are:

As at October 31 *(in thousands, except shares)*	2004		2003	
	Shares	Value	Shares	Value
Authorized				
Preferred shares, issuable in series	unlimited		unlimited	
Limited Voting Common Shares	unlimited		unlimited	
Issued and outstanding				
Series "A" convertible preferred shares, non-voting, $1 dividend per share, cumulative, convertible (1:1 basis), callable at $24				
Opening balance	1,105,151	$ 22,103	1,105,158	$ 22,103
Converted to Limited Voting Common Shares	(599)	(12)	(7)	—
Closing balance	1,104,552	$ 22,091	1,105,151	$ 22,103
Limited Voting Common Shares				
Opening balance	45,309,932	$ 438,406	45,281,561	$ 438,249
Issued (redeemed)				
Upon conversion of preferred shares	599	12	7	—
Directors' share compensation plan	18,047	155	28,364	157
Dividend reinvestment plan	8,049	65	—	—
Assisted sales program	(13,466)	(172)	—	—
Share consolidation program, including redemption costs (net of tax)	(1,527,694)	(15,238)	—	—
Private placement	1,520,000	14,638	—	—
Closing balance	45,315,467	$ 437,866	45,309,932	$ 438,406
		$ 459,957		$ 460,509

SHARE CONSOLIDATION PROGRAM – Effective February 22, 2004, through a one-day share consolidation program, the Company acquired for cancellation 1,527,694 Limited Voting Common Shares from registered shareholders holding less than 100 Limited Voting Common Shares at a price of $9.63 per share for a total cost of $15.2 million, including redemption costs (net of tax). The one-day program provided for the consolidation of the Limited Voting Common Shares on a 1 for 100 basis on February 22, 2004. Following the consolidation, all registered shareholders who held less than one Limited Voting Common Share became entitled to receive a cash payment of $9.63 for each pre-consolidation share instead of a fractional share in the Company. On February 23, 2004, the remaining Limited Voting Common Shares were split on a 100 for 1 basis returning all remaining shareholders to their previous shareholdings.

PRIVATE PLACEMENT OF LIMITED VOTING COMMON SHARES – On March 1, 2004, the Company completed a private placement of 1,520,000 Limited Voting Common Shares at a price of $9.63 per share for total proceeds of $14.6 million. Pursuant to a pre-emptive rights agreement, ADM Agri-Industries Company, a wholly-owned subsidiary of Archer Daniels Midland Company, exercised its right to purchase all of the Limited Voting Common Shares offered by the Company under the private placement.

The following table summarizes the issued and outstanding Limited Voting Common Shares, along with securities convertible into Limited Voting Common Shares:

As at October 31	2004	2003
Issued and outstanding Limited Voting Common Shares	**45,315,467**	45,309,932
Securities convertible into common shares:		
9% convertible unsecured subordinated debentures, maturing November 30, 2007, convertible at 133.3333 shares per $1,000 principal amount	**14,000,000**	14,000,000
Series "A" convertible preferred shares, non-voting, $1 dividend per share, cumulative, convertible (1:1 basis), callable at $24	**1,104,552**	1,105,151
Stock options	**732,045**	603,041
	61,152,064	61,018,124

The Company has the following share-related plans:

EMPLOYEE SHARE PURCHASE PLAN

Under the Company's Employee Share Purchase Plan ("ESPP"), qualifying employees may contribute from 1% to 7% of their basic earnings to the ESPP, with the Company contributing an amount equal to 50% of all employee contributions. Contributions are used to acquire shares, either from the open market or from the Company, based on share trading prices on the TSX.

MEMBER SHARE PURCHASE PLAN

Under the Company's Member Share Purchase Plan ("MSPP"), eligible members may contribute to the MSPP by way of a cash payment or cash ticket deduction payment. Contributions and dividends paid are used to acquire shares, either from the open market or from the Company, based on share trading prices on the TSX.

DIRECTORS' SHARE COMPENSATION PLAN

Under the Directors' Share Compensation Plan ("DSCP"), the Company pays its directors a minimum of 25% and a maximum of 50% of their annual compensation through the issuance from treasury of Limited Voting Common Shares, based on share trading prices on the TSX.

DIVIDEND REINVESTMENT PLAN

Under the Company's optional Dividend Reinvestment Plan ("DRIP"), which was implemented March 19, 2004, participating shareholders are allowed to increase their investment in the Company by choosing to automatically reinvest cash dividends received on Limited Voting Common Shares and Series A Convertible Preferred Shares for Limited Voting Common Shares issued from treasury. Under the plan, cash dividends received on Limited Voting Common Shares will be reinvested at 95% of the weighted-average of the TSX market price for the five trading days immediately preceding the applicable dividend payment date. Cash dividends received on Series A Convertible Preferred Shares will be reinvested at a price equivalent to the weighted-average of the TSX market price.

13. STOCK-BASED COMPENSATION

EXECUTIVE STOCK OPTION PLAN

Under the terms of the Executive Stock Option Plan ("ESOP"), eligible executives of the Company are entitled to receive options to acquire Limited Voting Common Shares. The following details stock options that were outstanding and exercisable at October 31, 2004:

Date granted	Exercise Price	Expiry Date	Weighted-average remaining contractual life in years	Number of Shares Outstanding	Number of Shares Exercisable
December 13, 1996	$ 10.20	2006	2.12	82,120	82,120
September 17, 1998	$ 11.50	2008	3.88	111,960	111,960
September 20, 2001	$ 10.30	2011	6.89	19,000	15,200
March 21, 2002	$ 9.70	2012	7.39	350,486	210,267
March 18, 2004	$ 9.30	2014	9.38	165,000	33,000
March 18, 2004	$ 9.70	2014	9.38	3,479	695
			6.71	732,045	453,242

At October 31, 2004, in addition to the stock options outstanding, the Company has reserved a further 303,588 shares (2003 – 432,592) for granting under the ESOP.

The Company recorded compensation expense of $402,000 (2003 – $306,000) and a related increase in Contributed Surplus regarding stock options issued under the terms of the ESOP. The exercise price of the option equals the market price of the Company's stock on the date of the grant. The fair value of each option granted since January 1, 2002, is estimated based on the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions: dividend yield of 2.70% (2003 – 2.58%), expected volatility of 38% (2003 – 38%), risk-free interest rate of 4.68% (2003 – 5.8%) and expected life of 10 years (2003 – 10 years). The options vest at a rate of 20% per year commencing on the grant date.

The following summarizes the status of the ESOP and changes during the year:

For the years ended October 31	2004 Number of Shares	2004 Weighted-average exercise price	2003 Number of Shares	2003 Weighted-average exercise price
Outstanding at beginning of year	**603,041**	**$ 10.16**	614,336	$ 10.15
Granted*	**168,479**	**9.31**	—	—
Forfeited	**(39,475)**	**10.22**	(11,295)	9.70
Outstanding at end of year	**732,045**	**$ 9.96**	603,041	$ 10.16
Exercisable at end of year	**453,242**	**$ 10.23**	371,058	$ 10.43

**On November 1, 2004, the Company granted a further 165,000 stock options under the ESOP with an exercise price of $7.64 vesting 20% per year commencing on the grant date and expiring November 1, 2014.*

RESTRICTED STOCK UNIT PLAN

The Company has approved, in principle, a plan to grant Restricted Stock Units ("RSU") to certain employees, subject to obtaining a favourable income tax ruling from Canada Revenue Agency ("CRA"). Provided a favourable ruling is received, units will be granted based on the employee's base salary and the market price of the Company's shares as of November 1, 2003. On this basis, the total number of RSUs outstanding at October 31, 2004 would be 304,568 units. The Company has accrued compensation costs of $620,507 for the year related to these units. The opportunity to receive compensation under the plan is contingent upon both time vesting and performance vesting criteria. The time vesting component consists of 50% of the RSUs and vests with the employee at the end of the three-year period from the grant date. The performance vesting component makes up the remaining RSUs with an equal amount vesting with the employee at the end of each of the three consecutive one-year periods from the grant date provided certain performance criteria have been met. Compensation amounts, based on the market price of the Company's shares on the vesting date, will be paid to the employee in cash.

14. EMPLOYEE FUTURE BENEFITS

The Company maintains several defined benefit and defined contribution pension plans for substantially all of its employees and is also a member of a multi-employer defined benefit plan. Its defined benefit pension plans are based on years of service and final average salary. For one of the Company's defined benefit plans, pension benefits may increase annually based on the performance of the fund.

The Company maintains a benefit plan for its retirees, which includes life, extended health and dental coverage. In December 2002, the Company altered the plan composition for employees retiring after January 1, 2004, resulting in a curtailment gain of $1.3 million that was applied to reduce benefit expenses during 2003.

The Company applied to the Office of the Superintendent of Financial Institutions to harmonize (effective July 1, 2003) the employee pension arrangements of certain pension plans and to merge (effective September 1, 2003) two defined benefit plans that currently have surpluses of $16.5 million and two defined benefit plans that currently have deficits of $11.8 million. The pension benefits accrued to the members prior to the effective date are fully protected, will be fully preserved and are not affected by the harmonization. Management believes that there will be no adverse impact on the financial position of the Company as a result of the harmonization of the plans and merger of the funds.

Total cash payments by the Company for employee future benefits for 2004, consisting of cash contributed to its pension plans, cash payments directly to beneficiaries for other benefits, and cash contributed to its defined contribution plans was $3.6 million (2003 – $6.1 million).

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at October 31 of each year. The dates of the actuarial valuations of the pension plans vary by plan with the most recent valuation completed on June 30, 2004. The next valuation is required by December 31, 2004.

The Company is amortizing the transitional asset that resulted with the adoption of the new accounting standard on employee future benefits in fiscal 2001 over 13 years which was the ARSP of employees in 2001 expected to receive benefits under the plan. The ARSP for 2004 for the various defined benefit plans ranges from 12 to 14 years (2003 – 12 to 14 years).

The following summarizes the Company's net benefit plan income (expense):

For the years ended October 31
(in thousands)

	2004			2003		
	Incurred in year	Adjustments*	Recognized in year	Incurred in year	Adjustments*	Recognized in year
Defined Benefit Pension Plans:						
Current service cost, net of employee contributions	$ (606)	$ —	$ (606)	$ (1,593)	$ —	$ (1,593)
Interest cost	(7,098)	—	(7,098)	(7,309)	—	(7,309)
Return on plan assets	11,280	(3,321)	7,959	11,509	(3,383)	8,126
Actuarial gains (losses)	(4,193)	3,448	(745)	(5,215)	4,414	(801)
Amortization of the transitional obligation	—	822	822	—	833	833
	(617)	949	332	(2,608)	1,864	(744)
Other Defined Future Benefit Plans						
Current service cost	(245)	—	(245)	(246)	—	(246)
Interest cost	(745)	—	(745)	(740)	—	(740)
Actuarial gains (losses)	(298)	272	(26)	—	1,305	1,305
	(1,288)	272	(1,016)	(986)	1,305	319
Defined benefit plans	(1,905)	1,221	(684)	(3,594)	3,169	(425)
Defined contribution plans	(4,788)	—	(4,788)	(4,315)	—	(4,315)
Multi-employer defined benefit plan	(691)	—	(691)	(303)	—	(303)
Net benefit plan income (expense)	$ (7,384)	$ 1,221	$ (6,163)	$ (8,212)	$ 3,169	$ (5,043)

Accounting adjustments to allocate costs to different periods to recognize the long-term nature of employee future benefits.

The following summarizes information about the Company's defined benefit plans in aggregate:

As at October 31
(in thousands)

	Pension Benefits 2004	Pension Benefits 2003	Other Future Benefits 2004	Other Future Benefits 2003
Plan Assets				
Fair value, beginning of year	$ 131,648	$ 130,063	$ —	$ —
Actual return on plan assets	11,280	11,509	—	—
Employer contributions	399	3,269	586	807
Employee contributions	127	109	—	—
Surplus transferred to defined contribution plan	(2,873)	(2,630)	—	—
Benefits paid	(9,624)	(10,672)	(586)	(807)
Fair value, end of year	$ 130,957	$ 131,648	$ —	$ —
Accrued Benefit Obligation				
Balance, beginning of year	$ 125,180	$ 121,626	$ 11,840	$ 11,661
Current service cost	733	1,702	245	246
Interest cost	7,098	7,309	745	740
Benefits paid	(9,624)	(10,672)	(586)	(807)
Actuarial losses	4,193	5,215	298	—
Balance, end of year	$ 127,580	$ 125,180	$ 12,542	$ 11,840
Funded Status				
Plan surplus (deficit)	$ 3,377	$ 6,468	$ (12,542)	$ (11,840)
Unamortized transitional amount	(7,246)	(8,068)	—	—
Unamortized net losses	18,116	17,988	746	474
Deferred benefit asset (liability)	$ 14,247	$ 16,388	$ (11,796)	$ (11,366)

The percentage of plan assets by major category is:

As at October 31	2004	2003
Equities	65%	60%
Debt securities	32%	38%
Other	3%	2%
	100%	100%

The significant weighted-average assumptions used in measuring the Company's pension and other obligations are:

	Pension Benefits		Other Future Benefits	
As at October 31	2004	2003	2004	2003
Accrued benefit obligation:				
Discount rate	6.00%	6.25%	6.25%	6.50%
Rate of compensation increase	4.00%	4.00%	n/a	n/a
Benefit cost:				
Discount rate	6.25%	6.36%	n/a	n/a
Expected long-term rate of return on plan assets	6.70%	6.72%	n/a	n/a
Rate of compensation increase	4.00%	4.00%	n/a	n/a
Initial health care cost trend rates*	n/a	n/a	7.00%	7.50%

** The health care cost trend rate will decline by 0.5% per year to the ultimate rate of 3.0%.*

A one-percentage-point change in assumed health care cost trend rates would have the following effects for 2004:

	Increase	Decrease
Interest cost	$ 28,000	$ 25,000
Accrued benefit obligation	$ 445,000	$ 393,000

15. RELATED PARTY TRANSACTIONS

The Company has transactions with related parties in the normal course of business at commercial rates and terms. Related parties may include investees Prince Rupert Grain, The Puratone Corporation, Benson-Quinn-GMS Inc., Canadian Pool Agencies Limited, Interprovincial Cooperative Limited, Pool Insurance Company as well as the Company's principal shareholder Archer Daniels Midland Company and its respective subsidiaries and associated companies.

Total sales to related parties were $120.5 million (2003 – $87.4 million) and total purchases from related parties were $51.8 million (2003 – $46.9 million). As at October 31, 2004, accounts receivable from and accounts payable to related parties totalled $2.8 million (2003 – $4.4 million) and $43,000 (2003 – $256,000), respectively.

16. INTEREST AND SECURITIZATION EXPENSES

For the years ended October 31 *(in thousands)*	2004	2003
Interest on:		
Convertible debentures (note 25)	$ 9,450	$ 8,728
Long-term debt	33,793	35,434
Short-term debt	9,111	11,030
Securitization expenses	1,665	2,461
CWB carrying charge recovery	(1,875)	(3,993)
	$ 52,144	$ 53,660

17. INCOME TAXES

The Company's income tax recovery consists of:

For the years ended October 31 *(in thousands)*	2004	2003
Current income tax recovery (expense)	$ (2,492)	$ 1,268
Future income tax recovery	7,834	4,659
Income tax recovery on continuing operations	5,342	5,927
Future income tax expense on discontinued operations	—	(3,588)
Recovery of income tax	$ 5,342	$ 2,339

The Company's effective tax rate is determined as follows:

For the years ended October 31 *(in thousands)*	2004	2003
Income tax recovery at a combined statutory rate of 33.9% (2003 – 38.5%)	$ 6,462	$ 3,038
Large corporation capital tax	(2,112)	(2,356)
Tax paid equity earnings	215	22
Non-taxable portion of capital gain	536	2,198
Expenses not deductible for income tax purposes	(1,407)	(1,100)
Unrecognized benefit of subsidiary's loss	—	(599)
Effect of tax rate changes on future income tax	169	1,217
Miscellaneous	1,479	(81)
Recovery of income tax	$ 5,342	$ 2,339

Significant components of the Company's future tax assets and liabilities are:

As at October 31 (in thousands)	2004	2003
Future tax assets:		
Reserves and other liabilities	$ 7,451	$ 15,686
Other post-employment benefits	4,247	4,092
Other deferred charges	6,978	8,592
Capital assets	442	314
Non-capital losses carried forward	114,404	119,221
Other long-term liabilities	7,408	8,074
Other temporary differences	636	3,323
	141,566	159,302
Future tax liabilities:		
Capital assets	21,768	28,614
Trade investments	63,710	79,657
Deferred pension costs	5,462	6,238
Other deferred charges	3,037	3,944
Intangible assets	2,970	2,970
Other	4,374	3,687
	101,321	125,110
Net future tax asset	$ 40,245	$ 34,192
Comprised of:		
Future tax asset – current	$ 6,801	$ 2,903
Future tax liability – current	(345)	(259)
Future tax asset – non-current	40,316	36,063
Future tax liability – non-current	(6,527)	(4,515)
	$ 40,245	$ 34,192

18. GUARANTEES AND CONTINGENCIES

LETTERS OF CREDIT

The Company has provided banking letters of credit to third parties for activities that are inherent in the nature of the agriculture industry. The terms range in duration and expire at various dates from November 2004 to January 2006. The amounts vary depending on underlying business activity or the specific agreements in place with the third parties. As at October 31, 2004, the outstanding banking letters of credit were $99.3 million (2003 – $95 million).

INDEMNIFICATION OF ACCOUNTS RECEIVABLE

AGRICORE UNITED FINANCIAL – Under the terms of an agreement with a Canadian Schedule One chartered bank (note 4), the Company indemnifies the bank for 50% of credit losses to a maximum of five percent of the aggregate qualified portfolio balance. As at October 31, 2004, the Company has provided $2.8 million (2003 – $1.7 million) for actual and expected future losses.

UNIFEED FINANCIAL – Under the terms of an agreement with a Canadian Schedule One chartered bank (note 4), the Company indemnifies the bank for credit losses based on the first 20% to 33% of new credit issued on an individual account, dependant on the account's underlying credit rating, with losses in excess of these amounts shared on an equal basis with the bank up to 5% on the aggregate qualified portfolio balance. As at October 31, 2004, the Company has provided $98,900 for actual and expected future losses.

LOAN GUARANTEES

The Company is contingently liable under several guarantees given to third-party lenders who have provided long-term financing to certain independent hog producers. As at October 31, 2004, the current outstanding balance of these guarantees is $4.2 million (2003 – $4.8 million). These guarantees diminish as the underlying loans are repaid and expire between 2006 and 2014.

The Company is contingently liable under a continuing guarantee given to a third-party lender who has provided certain financing facilities to a wholly-owned foreign subsidiary. As at October 31, 2004, the maximum amount of the guarantee is USD$25 million (2003 – USD$32.5 million).

DIRECTOR AND OFFICER INDEMNIFICATION

The Corporation indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Corporation to the extent permitted by law. The Corporation has acquired and maintains liability insurance for its directors and officers as well as those of certain affiliated companies.

OTHER INDEMNIFICATION PROVISIONS

From time to time, the Company enters into agreements in the normal course of operations and in connection with business or asset acquisitions or dispositions. By their nature, these agreements may provide for indemnification of counterparties. The varying nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could incur. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

CONTINGENCY FOR TAX DISPUTE

In late 2003, Canadian Fertilizers Limited ("CFL"), an investee of the Company's joint venture Westco, received a proposal letter from the CRA as a result of an audit of its 1997 to 2000 taxation years. The CRA had taken the position that deductions by CFL for certain management fees paid under contract to another shareholder of CFL should not be allowed. CFL maintained that the CRA's position lacked merit and recent correspondence from CRA confirms that the tax dispute will be resolved with no impact on its shareholders. Years subsequent to 2000 have not yet been audited, however, based on discussions with CRA, CFL believes that the deductions will not be similarly challenged.

OTHER CONTINGENCIES

As at October 31, 2004, there are claims against the Company in varying amounts for which no provisions in the financial statements are considered necessary. The occurrence of the confirming future event is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these claims. Management believes that any such amounts would not have a material impact on the business or financial position of the Company, or the occurrence of the confirming future event is not determinable.

19. LEASE COMMITMENTS

The Company has operating leases, with varying terms ranging up to 18 years, for office premises and equipment, storage facilities and sites, application equipment and licensed vehicles. Future minimum payments under these commitments are:

For the years ending October 31
(in thousands)

2005	$	15,020
2006		11,893
2007		6,292
2008		3,095
2009		1,532
After 2009		2,341
	$	40,173

20. FINANCIAL INSTRUMENTS

FORWARD FOREIGN EXCHANGE CONTRACTS

The following amounts represent the contracted Canadian dollar equivalent of commitments to buy and sell foreign currency:

As at October 31, 2004
(in thousands)

	Sell	Buy
U.S. dollars	$ 217,684	$ 66,728
Euro	$ 6,466	$ 246
British Pounds	$ 231	$ 167

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments:

- Short-term financial instruments are valued at their carrying amounts included in the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.
- Rates currently available to the Company for long-term debt with similar terms and remaining maturities are used to estimate the fair value of existing borrowings as the present value of expected cash flows.
- The fair value of derivatives generally reflects the estimated amounts that the Company would have to pay, or would receive, upon termination of the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts.

21. INTEREST IN JOINT VENTURES

The Company's interest in its joint ventures is recognized using the proportionate consolidation method at rates that approximate either the Company's ownership interest in, or the volume of business with, the respective joint venture.

As at October 31
(in thousands)

	2004	2003
Balance Sheets		
Current assets	$ 57,782	$ 106,913
Long-term assets	103,360	112,943
Current liabilities	(11,640)	(28,133)
Long-term liabilities	(7,584)	(8,648)
Other long-term liabilities	(18,608)	(19,911)
Net investment in joint ventures	$ 123,310	$ 163,164

For the years ended October 31
(in thousands)

	2004	2003
Statements of Earnings		
Revenues	$ 65,258	$ 69,665
Expenses	(27,845)	(26,140)
Income tax recovery (provision)	(1,306)	3,274
Net income	$ 36,107	$ 46,799
Statements of Cash Flows		
Cash flows provided by (used in):		
Operating activities	$ 48,535	$ 54,821
Investing activities	4,995	(9,194)
Financing activities	(81,918)	(21,741)
Increase (decrease) in cash and cash equivalents	$ (28,388)	$ 23,886

22. SEGMENT INFORMATION

The Company has five reportable business segments operating primarily in western Canada: Grain Handling, Crop Production Services, Livestock Services, Financial Markets and Other Investments as well as Corporate Administration. Grain Handling revenues are earned from the sourcing of grain from producers for delivery to end users. Crop Production Services revenues are earned from the production and sale of crop input products and services through retail centres and country elevators. Livestock Services revenues are derived from the manufacture and sale of livestock feed and related services. Financial Markets and Other Investments include the activities of Agricore United Financial, Unifeed Financial and foreign exchange trading activities as well as the activities of other investments. The Corporate segment contains no revenue and is comprised of corporate costs and other activities that are not specific to other business segments.

The Company has not provided revenues from external customers by geographic location as it is not practical to do so. Total sales and revenue from services includes export sales of $1,356 million (2003 – $1,067 million). There is no material property, plant and equipment located in foreign countries.

For the years ended October 31 (in thousands)	2004	2003
Sales and revenue from services		
Grain Handling	$ 2,042,029	$ 1,639,626
Crop Production Services	754,249	856,167
Livestock Services	277,545	258,220
Financial Markets and Other Investments	9,403	8,952
	3,083,226	2,762,965
Less: Intersegment sales*	(35,091)	(36,334)
	$ 3,048,135	$ 2,726,631
Gross profit and net revenue from services		
Grain Handling	$ 213,567	$ 157,147
Crop Production Services	161,626	203,966
Livestock Services	43,901	40,389
Financial Markets and Other Investments	9,403	8,952
	$ 428,497	$ 410,454
Operating, general and administrative expenses		
Grain Handling	$ (144,879)	$ (136,394)
Crop Production Services	(108,569)	(106,893)
Livestock Services	(34,359)	(30,671)
Financial Markets and Other Investments	(3,417)	(2,044)
Corporate	(38,688)	(33,921)
	$ (329,912)	$ (309,923)
EBITDA		
Grain Handling	$ 68,688	$ 20,753
Crop Production Services	53,057	97,073
Livestock Services	9,542	9,718
Financial Markets and Other Investments	5,986	6,908
Corporate	(38,688)	(33,921)
	$ 98,585	$ 100,531
Depreciation and amortization		
Grain Handling	$ (32,077)	$ (35,693)
Crop Production Services	(21,485)	(24,402)
Livestock Services	(3,857)	(3,219)
Financial Markets and Other Investments	(115)	(80)
Corporate	(7,677)	(9,206)
	$ (65,211)	$ (72,600)

For the years ended October 31 (in thousands)	2004	2003
EBIT		
Grain Handling	$ 36,611	$ (14,940)
Crop Production Services	31,572	72,671
Livestock Services	5,685	6,499
Financial Markets and Other Investments	5,871	6,828
Corporate	(46,365)	(43,127)
	$ 33,374	$ 27,931
*Intersegment sales		
Grain Handling	$ (34,631)	$ (35,888)
Crop Production Services	(460)	(446)
	$ (35,091)	$ (36,334)

As at October 31 (in thousands)	2004	2003
Assets		
Grain Handling	$ 734,522	$ 819,347
Crop Production Services	451,010	520,240
Livestock Services	130,887	124,452
Financial Markets and Other Investments	10,576	12,260
Corporate	122,627	97,202
	$ 1,449,622	$ 1,573,501
Intangible assets		
Grain Handling	$ 6,500	$ 6,500
Crop Production Services	10,002	10,002
	$ 16,502	$ 16,502
Goodwill		
Grain Handling**	$ 5,549	$ 4,926
Crop Production Services***	19,177	21,463
Livestock Services**	4,177	—
	$ 28,903	$ 26,389

***Increase in balance represents goodwill on acquisitions (note 3).*

****Some provisions established at the merger date were greater than the actual cost incurred and accordingly the excess was applied to reduce the value of goodwill.*

23. RESTRUCTURING PLAN

The Company's comprehensive restructuring plan to rationalize its country operations involves the demolition of locations that are either closed or anticipated to be closed. The expenditures for the year and the remaining provision outstanding to complete this restructuring plan are:

For the years ended October 31 (in thousands)	2004			2003		
	Demolition	Other cash costs	Total	Demolition	Other cash costs	Total
Opening balance	$ 2,347	$ 2,207	$ 4,554	$ 5,733	$ 2,581	$ 8,314
Less: expenses incurred	1,148	39	1,187	3,386	374	3,760
Closing balance	$ 1,199	$ 2,168	$ 3,367	$ 2,347	$ 2,207	$ 4,554

24. DISCONTINUED OPERATIONS

Effective September 30, 2003, the Company completed the sale of the net assets of its Farm Business Communications division for $14.4 million in cash and $1.6 million of net liabilities assumed by the purchaser. Cash of $12.2 million was received on closing and the remaining $2.2 million is to be received in equal installments over the following three years. The Company realized a pre-tax gain on disposal of $15.0 million (net of disposal costs of $674,000). For reporting purposes, for 2003, the results of operations of this business segment and the gain on the sale were presented as discontinued operations. Sales and revenue from services for the segment for 2003 were $10.4 million and pre-tax income was $1.3 million.

There were no discontinued operations during 2004. The following summarizes certain financial information on discontinued operations:

For the year ended October 31 (in thousands)		2003
Earnings from discontinued operations, net of income taxes	$	821
Gain on sale of discontinued operations, net of income taxes		11,887
Total discontinued operations, net of income taxes	$	12,708

25. ACCOUNTING POLICY CHANGES

HEDGING RELATIONSHIPS

Effective November 1, 2003, the Company adopted CICA Accounting Guideline AcG-13, *Hedging Relationships*. The Company has an interest rate swap that is accounted for in accordance with this policy and as such, the swap is documented and subjected to an effectiveness test on a quarterly basis for reasonable assurance that it is and will continue to be effective. The gain or loss on the interest rate swap is recorded in interest and securitization expenses. Any derivative that does not qualify for hedge accounting (including commodity and foreign exchange futures contracts and grain-related purchase and sale contracts) is reported in earnings on a mark-to-market basis, consistent with past practice. The adoption of this guideline had no material impact on the financial statements.

CONVERTIBLE DEBENTURES

On October 31, 2004, the Company adopted an accounting policy change due to revisions to CICA Handbook Section 3860, *Financial Instruments* which requires that the Debentures no longer be accounted for and presented in the financial statements in their component parts, split between debt and equity. Although the terms and conditions of the Debentures remain unchanged, the Debentures are now presented entirely as debt. The change was adopted retroactively with a reclassification of prior year comparatives (note 10). Since the Debentures were issued in November 2002, the impact is limited to the current and prior year. The impact to the current year financial statements is to reclassify, on the balance sheet, $79.7 million (2003 – $74.9 million) from equity to long-term debt and to increase interest expense by $4.6 million (2003 – $5.2 million) and increase income tax recovery by $1.7 million (2003 – $2 million), resulting in a net decrease in net income of $3.1 million (2003 – $3.2 million) offset by a net increase in retained earnings of $3.1 million (2003 – $3.4 million). The presentation change has no impact on the calculation of basic earnings per share or diluted earnings per share for the current or prior years. Since the entire convertible debenture is not considered debt for bank covenant purposes, the reclassification has no impact on the Company's covenant calculations.

26. FUTURE ACCOUNTING POLICY CHANGE

VARIABLE INTEREST ENTITIES

In June 2003, the CICA issued Accounting Guideline AcG-15, *Consolidation of Variable Interest Entities*. This guideline would require consolidation of variable interest entities ("VIE") for annual or interim periods beginning on or after November 1, 2004. A VIE is any legal structure used to conduct activities or hold assets which are not controlled by voting interests but rather by contractual or other interests that change with that entity's underlying net asset value. The application of the rules to specific situations is complex and the interpretation of the rules is evolving. The Company continues to assess the entities in which it has contractual and other interests to determine whether they constitute VIEs, and if so, whether the Company would be required to consolidate them. The Company currently accounts for its subsidiaries in accordance with the Company's principles of consolidation. Based on its assessment to date of these entities and its interests in them, the Company believes that its subsidiaries are either not VIEs or the adoption of AcG-15 will not result in any material change to the consolidated financial statements.

ASSET RETIREMENT OBLIGATIONS

The Company will adopt CICA Handbook Section 3110, *Asset Retirement Obligations* ("ARO") for the first quarter of 2005. The Company will account for dismantling, removal and site restoration of certain structures on leased properties, along with the removal of leasehold improvements where required, as AROs. It is the Company's intention to address any environment-related obligations during the course of the operation of its facilities and as such, believes there will be no material environment-related obligations associated with the retirement of these facilities, with the exception of the obligation described in note 11 related to Westco. It is management's opinion that the adoption of this section will not have a material impact to the financial statements.

27. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to current year presentation.

DISCUSSION ON RISK MANAGEMENT

Agricore United and its heritage companies had a history of managing risk before regulatory guidelines were introduced and in some cases the risk management practices the Company uses exceed current expectations. To maintain and continue to improve these standards the Company's Board of Directors' Risk Review Committee oversees the principal risks of the company and ensures that processes are in place to manage risk. The Board mandates an executive risk management committee, chaired by the CEO, to manage the risks of the Company and report to the Board committee on a quarterly basis. On a day-to-day basis the Chief Risk Officer (CRO), working with a team of senior management and executives, coordinates the Company's activities to maintain risk management processes throughout all levels of the Company.

The Board and executive committees help provide an enterprise-wide perspective. Agricore United transforms the risk management concept into reality by establishing and implementing policies, processes and a variety of management tools, continuously reviewing operational and strategic risks and developing appropriate responses. It includes evaluating and developing strategies to manage risks that are part of the nature of business but which the firm cannot control.

By working with various business units to identify risks, the CRO directs the Enterprise-wide Risk Management (ERM) process. ERM identifies, evaluates and documents risks, then prioritizes and implements mitigation/risk management techniques based on the potential impact and likelihood of an occurrence.

OPERATIONAL RISKS

Maintaining internal controls, quality controls, inventory management, efficiency and effectiveness measures and logistics management standards are part of containing operational risks. Succession planning, performance evaluation, compensation, employment practices, labour relations and pension management are part of managing human resource risks. The Company routinely guards against crime and fraud, but also maintains a watch on matters of corporate ethics, trademark infringement and corporate citizenship issues. The Management Information Systems department monitors system integrity, technology infrastructure, information security, viruses and volume surges, among other things.

Fertilizers, herbicides and pesticides can be hazardous if misused or handled improperly. In addition to occupational health and safety training, annual audits of environmental and occupational risks keep the Company compliant with policies and current with the changing nature of threats. Other hazards, such as property damage, liability and business interruption, pose different levels of threat to the Company.

One long-term process that Agricore United has adopted to manage its food safety risk is Hazard Analysis Critical Control Point (HACCP) systems. HACCP is an internationally recognized and certifiable system for ensuring food safety by analysis of biological, chemical and physical hazards from production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

Beyond insurance, the Company proactively addresses financial threats such as improper financial disclosure, counterparty vulnerability arising from business partners, interest rate changes, shifts in the value of the Canadian dollar, market risks or inaccurate financial analysis. The Company continuously refines its credit policies to ensure its ability to collect on outstanding accounts and to better identify creditworthy customers and screen out high risk ones more accurately.

Futures, options and swap contracts are standard tools for managing the impact of currency and commodity price risks, as well as interest rate changes. Agricore United uses these tools as a routine part of its risk management practices, subject to well-defined protocols.

STRATEGIC/MANAGEMENT RISKS

Beyond these factors the Company assesses its exposure to strategic/management issues that might arise from changes in corporate governance regulations, alignment of business units or management direction.

With so much of its revenue depending on grain, the Company also reviews the susceptibility of its earnings to changes in matters ranging from government policy on the Canadian Wheat Board and the Canadian Grain Commission to competition, from weather to changing consumer preferences.

Analysis of the volume of grain shipped and its impact on revenue drove the Company to create an innovative insurance program to protect against significant declines in grain volumes, normally caused by drought.

Operating a business involves taking risks in order to earn the rewards. Risks are not all bad. Nor can they all be avoided. The goal of risk management is to establish a balance point at which the rewards outweigh the risk.

RISKS ARE NOT ALL BAD.

Nor can they all be avoided. The goal of risk management is to establish a balance point at which the rewards outweigh the risk.

OFFICERS, DIRECTORS, COMMITTEES & SHAREHOLDER INFORMATION

OFFICERS

Wayne W. Drul
Chair

Brian Hayward
Chief Executive Officer

Peter G. M. Cox
Chief Financial Officer

Tom Kirk
Corporate Secretary

DIRECTORS

Wayne W. Drul [1]*, [5]*
Chair
Oakburn, Manitoba

Jon K. Grant [1, 2, 5, 6*]
First Vice Chair
Peterborough, Ontario

Robert D. Pettinger [1, 3*, 5, 6]
Manitoba Vice Chair
Elgin, Manitoba

Terry V. Youzwa [1, 2*, 5, 6]
Saskatchewan Vice Chair
Nipawin, Saskatchewan

Maurice A. Lemay [1, 3, 5, 7*]
Alberta Vice Chair
Tangent, Alberta

Theodore M. Allen [1, 3]
Calgary, Alberta

G. Allen Andreas [1, 2]
Decatur, Illinois

Hugh F. Drake [1, 4, 7]
Elkhorn, Manitoba

Brett R. Halstead [1, 4, 7]
Nokomis, Saskatchewan

Alanna L. Koch [1, 2, 6]
Edenwold, Saskatchewan

Donald W. Lunty [1, 3, 4]
Forestburg, Alberta

Paul B. Mulhollem [1, 3]
Decatur, Illinois

Paul Orsak [1, 4, 7]
Binscarth, Manitoba

Ernest J. Sirski [1, 2, 7]
Dauphin, Manitoba

James M. Wilson [1, 2, 4*]
Darlingford, Manitoba

Committees

1. Agricultural Policy Committee
2. Audit Committee
3. Compensation/Pension Committee
4. Risk Review Committee
5. Executive Committee
6. Nominating and Governance Committee
7. Member and Community Relations Committee

* Committee Chair

AUDITORS

PricewaterhouseCoopers LLP

BANKS

The Bank of Nova Scotia
HSBC Bank Canada
Rabobank International
Canadian Imperial Bank of Commerce
Bank of Montreal
National Bank of Canada
Royal Bank of Canada

STOCK EXCHANGE

Toronto Stock Exchange

Stock symbols:
- AU.LV – Limited Voting Common Shares
- AU.PR.A – Series 'A' convertible preferred shares
- AU.DB – 9% convertible unsecured subordinated debentures

TRANSFER AGENT

Computershare Trust
Company of Canada

ADDRESS FOR SHAREHOLDER INQUIRIES

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CanWest Global Place
201 Portage Avenue
P.O. Box 6600
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Canada R3C 3A7

Shareholder Services Administration:
- Telephone: 204-944-3664
- Toll free: 1-800-661-4844
- Facsimile: 204-944-5543

Investor Relations:
- Telephone: 204-944-5651

www.agricoreunited.com

Incorporated July 20, 1906

ANNUAL MEETING

The annual shareholders' meeting will be held at 9:00 a.m., Wednesday, February 9, 2005 at The Delta Regina Hotel, 1919 Saskatchewan Drive, Regina, Saskatchewan, Canada.

TRADEMARKS

List of trademarks used in this report:
- Agricore United™
- Agricore United Financial™
- Unifeed Financial™
- Unifeed™
- Proven® Seed
- Smart Haul®
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